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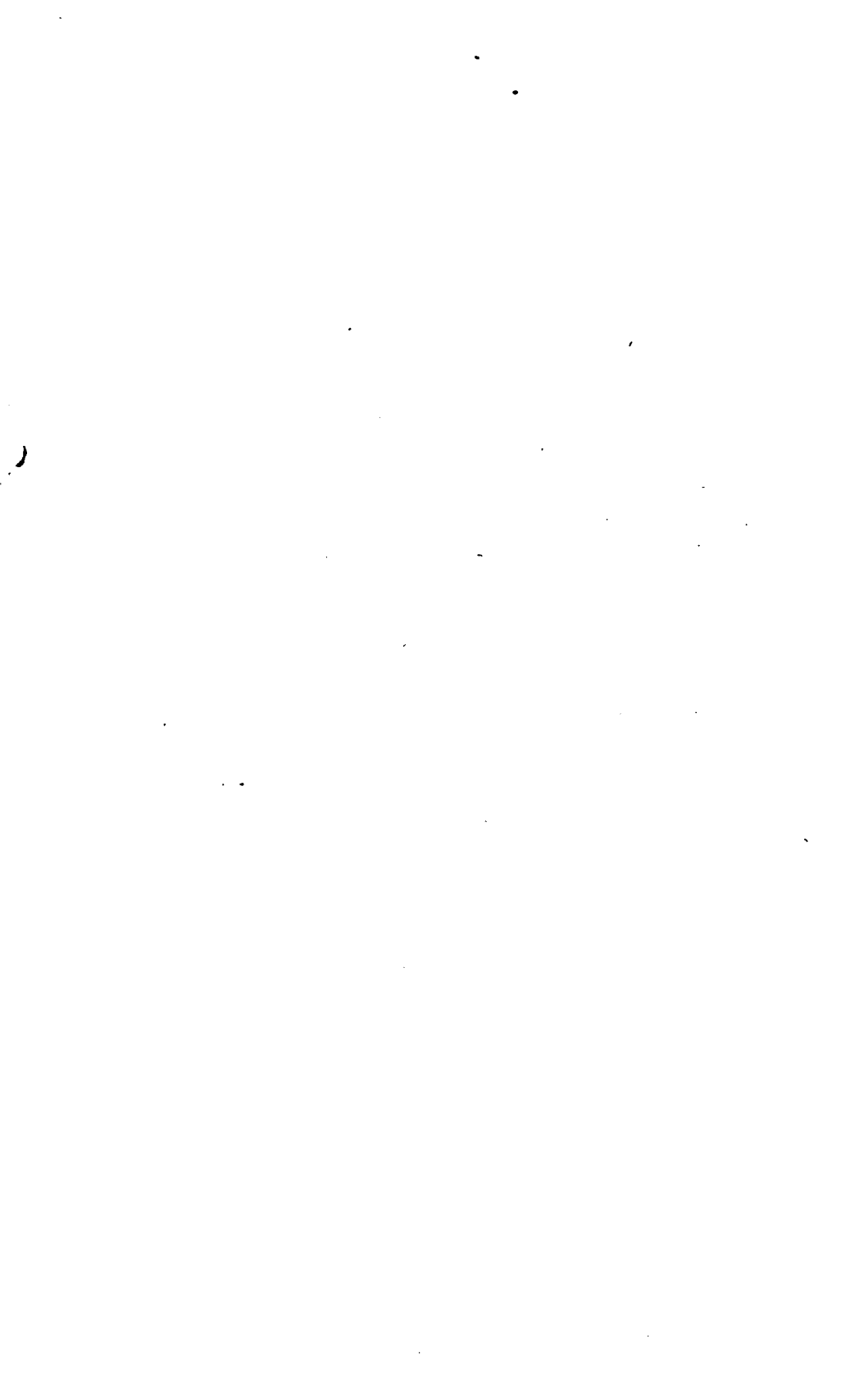
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WAR DEPARTMENT :: OFFICE OF THE SECRETARY

EIGHTH ANNUAL
REPORT OF THE
PHILIPPINE COMMISSION
TO THE SECRETARY OF WAR
1907

(IN THREE PARTS)

PART 3



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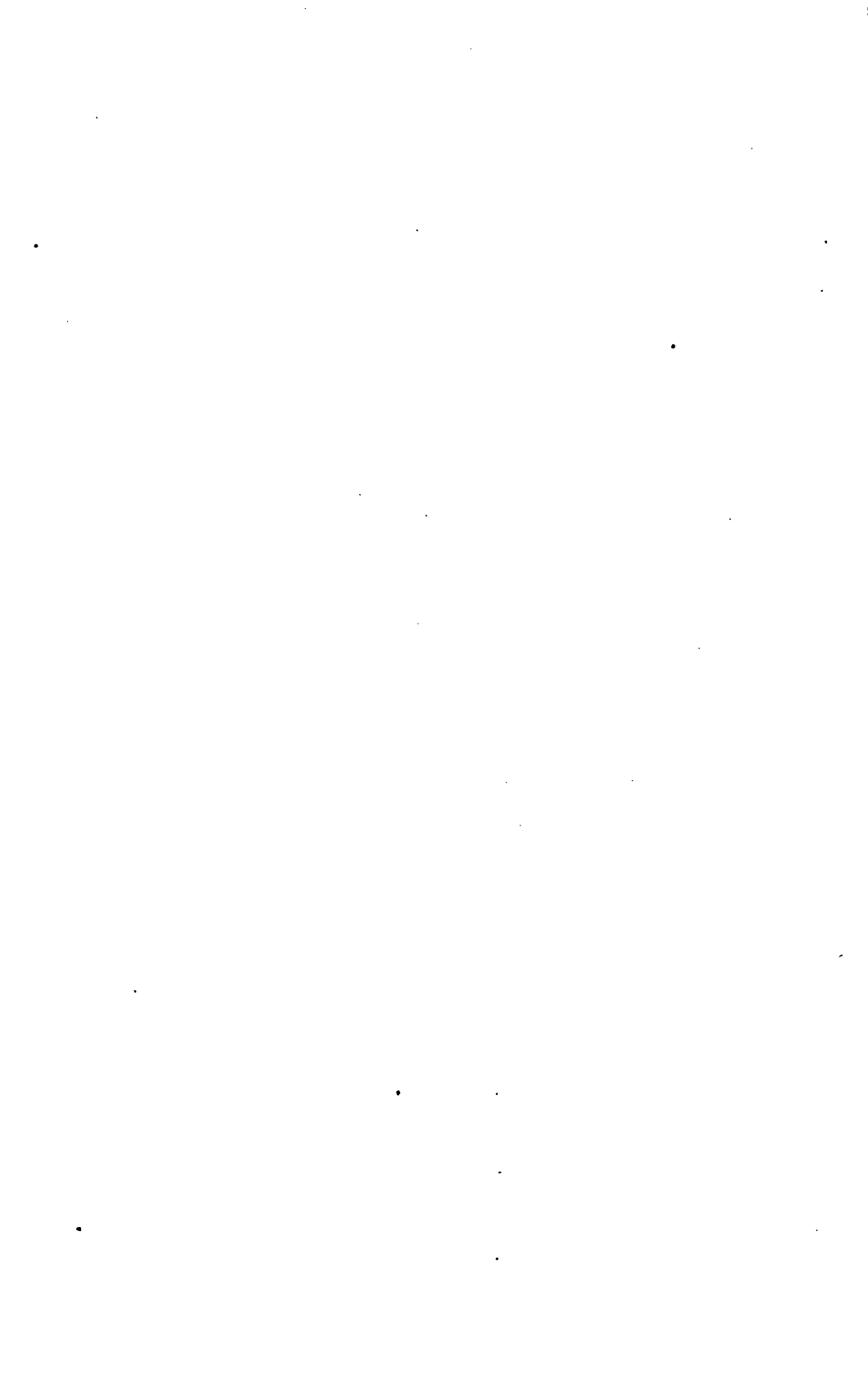
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**REPORT OF THE SECRETARY OF FINANCE
AND JUSTICE.**



REPORT OF THE SECRETARY OF FINANCE AND JUSTICE.

DEPARTMENT OF FINANCE AND JUSTICE,
Manila, December 31, 1907.

GENTLEMEN: The acting secretary of finance and justice begs leave to submit for your consideration the sixth annual report of the operations and work accomplished during the fiscal year 1907 by the various bureaus and offices under his executive control.

Under and by virtue of the provisions of acts Nos. 1679 and 1706 the executive control of the bureau of audits and of the city of Manila was transferred from the secretary of finance and justice to the governor-general. The report, therefore, of the operations of the bureau of audits and of the city of Manila will be included in the report of the governor-general and not in that of the secretary of finance and justice as heretofore.

BUREAU OF JUSTICE.

The appropriation bill for 1907, act No. 1527, provides for separate appropriations for the expenses of the attorney-general's office and for those properly pertaining to the courts. The appropriations for salaries and wages of judges and employees and for contingent expenses of the courts are now made under the heading of "judiciary." The appropriations for salaries and wages of officials and employees of the attorney-general's office and for contingent expenses thereof are now made under the heading of "bureau of justice." However, for the sake of economy and the convenience of the service, the attorney-general continues to make disbursements for the judiciary and appointments of clerks and other employees of the courts in accordance with act No. 867. The separation of the appropriation makes no changes in the administration, but simply accomplishes the purpose of separating the expenditures for the courts from those properly belonging to the office of the attorney-general and thereby facilitates the compilation of statistics showing the actual cost of the courts and of the attorney-general's office.

THE JUDICIARY.

Supreme court.—On July 1, 1906, there were pending in the supreme court for adjudication on appeal 420 civil and 478 criminal cases, and since July 1, 1906, there have been filed on appeal 384 civil and 279 criminal cases. During the year the court decided 221 civil and 359 criminal cases, and otherwise disposed of 70 civil and 55 criminal cases. On June 30, 1907, there were pending on appeal 513 civil and 343 criminal cases. On June 30, 1906, there were pending

on appeal 425 civil and 482 criminal cases. The number of appeals pending on June 30, 1907, as compared with the number of those pending on June 30, 1906, shows that the number of civil cases undisposed of has been increased to the extent of 88 and that the number of criminal cases to be disposed of has decreased by 139.

From these figures the deduction might be drawn that the court was unable to keep abreast of the cases pending before it and ready for hearing. As a matter of fact, with the exception of 32 cases, the court has decided and filed its decision in all cases argued and submitted prior to August 16 of this year. Of the 32 cases not finally disposed of 19 have been actually decided and are awaiting the writing of the formal opinion. Four of the 13 undecided cases involve the liability of the city of Manila for the debts of the ayuntamiento and really constitute but 1 case. Of the 13 cases only 5 were submitted prior to July 1, 1907, and 4 of these relate to said liability of the city of Manila and constitute but one case. The acting secretary of finance and justice is of the opinion that the tendency of attorneys to delay the filing of briefs and to unreasonably defer the placing of their civil cases on the calendar should be checked; otherwise an unusual burst of energy later on may swamp the court with the accumulated business of years.

One Spanish stenographer and 1 messenger have been added to the force required by the court for the transaction of its business.

On January 11, 1907, the Commission authorized the expenditure of ₱5,000 for the purchase of law books, which resolution was subsequently confirmed by act No. 1660.

Volumes III, IV, V, and VI of the Philippine reports, covering the period from December 2, 1903, to November 22, 1906, in English and Spanish, were published during the year. Volume VII of the reports is almost finished and when published the reports of the supreme court will be complete to June 30, 1907.

Court of first instance, Manila.—On July 1, 1906, there were pending in the court of first instance of Manila 735 civil cases. The number of civil cases filed during the year, exclusive of probate matters, was 282, and the number of probate cases 641, making a total of 923 matters which during the year 1907 awaited judicial determination. The number of civil cases decided during the year ending June 30, 1907, was 454. The number of civil cases dismissed during the fiscal year 1907 was 201. The number of civil cases other than probate matters pending on June 30, 1907, was 443, and the number of probate cases 560.

One hundred and twenty-five criminal cases were pending on July 1, 1906, and 559 criminal cases were filed during the fiscal year just ended. The number of criminal cases decided during the fiscal year was 544 and the number dismissed 81. This left 59 criminal cases pending on June 30, 1907.

Sixty-five customs appeal cases were pending on July 1, 1906, and 30 additional cases were filed during the fiscal year 1907. Sixteen customs appeal cases were decided during the last fiscal year, which left 79 pending on June 30, 1907.

The moneys received by the court of first instance during the year amounted to the sum of ₱29,954.75.

An analysis of these figures shows that the amount of civil business dispatched during the year has fallen considerably behind, while

the criminal business of the court has been promptly dispatched. On July 1, 1907, there were 1,082 civil, probate, and customs appeal cases remaining undisposed of as compared with 800 pending on July 1, 1906. Fifty-nine criminal cases were pending on July 1, 1907, as compared with 125 on July 1, 1906.

There were only 454 civil cases decided during 1907 as against 536 for the year 1906. On the other hand, there were 544 criminal cases decided in 1907 as compared with 381 for the preceding year.

Only 16 customs appeal cases were decided during the year 1907 as against 23 for the preceding fiscal year.

Courts of first instance—districts other than Manila.—The following table will show the condition of business of courts of first instance for the various districts:

	Civil cases.					Criminal cases.					Fees and fines.
	Pending July 1, 1906.	Filed up to July 1, 1907.	Decided.	Dismissed.	Pending June 30, 1907.	Pending July 1, 1906.	Filed up to July 1, 1907.	Decided.	Dismissed.	Pending June 30, 1907.	
First district:											
Cagayan, Tuguegarao.....	206	42	15	160	75	18	99	67	28	22	P2,122.71
Isabela, Iligan.....	70	20	3	20	67	26	40	33	31	2	5,914.53
Second district:											
Ilocos Norte, Laoag.....	141	92	53	31	149	50	109	87	35	37	13,195.62
Ilocos Sur, Vigan.....	64	91	31	12	112	47	92	92	23	24	8,531.00
Mountain district:											
Benguet, Baguio.....	1	3	2	0	2	0	15	8	6	1	759.30
Lepanto-Bontoc, Cervantes.....	0	11	2	1	8	3	11	7	7	0	176.55
Nueva Vizcaya, Bayombong.....	0	3	1	1	1	0	9	2	7	0	120.95
Third district:											
Pangasinan, Lingayen.....	236	131	43	9	315	97	183	119	45	116	5,546.52
Union, San Fernando.....	122	34	5	2	149	70	52	47	27	48	9,287.45
Zambales, Iba.....	32	19	3	8	40	4	19	11	8	4	1,643.90
Fourth district:											
Pampanga, San Fernando.....	57	64	36	10	75	60	47	56	27	24	2,500.20
Tarlac, Tarlac.....	10	58	16	1	51	15	41	31	12	13	3,504.70
Nueva Ecija, San Isidro.....	96	64	16	5	139	62	82	60	10	74	4,439.40
Fifth district:											
Bulacan, Malolos.....	135	75	60	17	133	93	120	89	46	78	14,968.59
Rizal, Pasig.....	106	57	44	14	105	58	101	78	29	52	5,565.12
Sixth district:											
Cavite, Cavite.....	35	60	24	17	54	15	76	75	13	3	2,513.11
Laguna, Santa Cruz.....	59	101	67	24	69	116	93	81	69	59	2,378.60
Bataan, Balanga.....	36	19	4	9	42	16	36	19	21	12	4,893.79
Seventh district:											
Tayabas—											
Lucena.....	26	44	39	12	19	13	72	45	30	10	13,888.93
Boac, Marinduque.....	8	22	14	2	14	0	9	6	2	1	515.86
Batangas, Batangas.....	18	89	38	7	62	32	100	85	19	28	4,001.52
Mindoro, Calapan.....	15	15	9	3	18	12	31	22	14	7	853.80
Eighth district:											
Ambos Camarines, Nueva Caceres.....	98	143	62	29	150	35	135	98	24	48	3,824.48
Albay, Albay.....	24	245	149	62	58	18	97	67	27	21	2,113.29
Sorsogon, Sorsogon.....	58	93	60	28	63	10	58	52	12	4	8,063.80
Ninth district:											
Iloilo, Iloilo.....	210	242	84	107	261	45	173	155	32	31	10,908.33
Tenth district:											
Occidental Negros, Bacolod.....	125	128	103	45	105	154	204	184	71	103	6,077.90
Antique, San José.....	21	37	26	2	30	1	60	53	3	5	4,248.42
Eleventh district:											
Cebu, Cebu.....	108	134	60	37	145	56	92	64	10	74	6,076.96
Oriental Negros, Dumaguete.....	8	17	6	4	15	2	57	47	10	2	1,309.60
Bohol, Tagbilaran.....	20	14	8	7	19	2	27	23	4	2	529.00
Twelfth district:											
Leyte, Tacloban.....	137	131	55	28	185	17	462	184	187	108	8,323.50
Samar, Catbalogan.....	27	46	16	9	48	3	75	45	21	12	1,666.68

	Civil cases.					Criminal cases.					Fees and fines.
	Pending July 1, 1906.	Filed up to July 1, 1907.	Decided.	Dismissed.	Pending June 30, 1907.	Pending July 1, 1906.	Filed up to July 1, 1907.	Decided.	Dismissed.	Pending June 30, 1907.	
Thirteenth district:											
Moro Province—											
District of Lanao,											
Iligan.....	13	7	10	2	8	1	31	23	2	7	P636. 10
District of Dapitan.....	4	14	9	8	1	4	20	10	3	11	585. 00
Surigao, Surigao.....	19	24	9	6	28	16	46	36	21	5	3,349. 60
Misamis, Cagayan.....	61	63	52	17	55	28	139	103	11	53	6,513. 43
Fourteenth district:											
Moro Province—											
Zamboanga.....	13	25	11	13	14	1	61	22	24	16	2,741. 07
District of Cottabato.....	2	11	4	0	9	0	23	7	5	11	195. 02
District of Jolo-Jolo.....	5	1	3	1	2	8	21	14	9	6	233. 00
District of Davao.....	3	4	2	2	3	5	6	7	3	1	112. 00
Tawi-Tawi group, Bongao.....	0	0	0	0	0	0	6	5	0	1	505. 00
Fifteenth district:											
Capiz, Capiz.....	80	31	39	17	55	37	66	41	12	50	1,429. 93
Romblon, Romblon.....	36	15	14	9	28	19	17	24	8	4	3,586. 30
Masbate, Masbate.....	7	8	5	5	5	2	5	3	4	0	225. 66
Palawan—											
Cuyo.....	2	10	3	4	5	0	14	4	8	2	1,073. 50
Puerto Princesa.....	1	0	1	0	0	0	8	2	0	6	72. 00
Total.....	2,557	2,557	1,316	807	2,991	1,271	3,340	2,393	1,020	1,198	181,654. 72

Considering all the districts together it will be noted that on June 30, 1907, there were 2,991 civil cases awaiting final disposition as compared with 2,557 on July 1, 1906. The number of criminal cases pending on June 30, 1907, was 1,198 as compared with 1,271 on July 1, 1906.

During the fiscal year 1906 there were 2,052 civil and 3,888 criminal cases filed, whereas during the fiscal year 1907 there were 2,557 civil and only 3,340 criminal cases filed. This is an increase of 505 civil and a decrease of 548 criminal cases. During the fiscal year 1906 there were 1,225 civil cases decided and 770 dismissed, a total of 1,995 civil cases disposed of. During 1907 there were 1,316 civil cases decided and 807 dismissed, or a total of 2,123 civil cases determined by the courts of first instance. During the year 1906, 2,280 criminal cases were decided and 1,922 dismissed, making a total of 4,202 criminal cases disposed of, whereas in 1907 there were 2,393 decided and 1,020 dismissed, or a total of 3,413. The number of criminal cases actually tried was 100 more than during the fiscal year 1906, and the number dismissed was 900 less, which would seem to indicate that the fiscals are exercising better judgment in filing cases and paying more attention to the preparation of criminal cases after they are once filed.

Including the Manila collections, the total amount collected by the courts of first instance for the fiscal year 1907 was P211,609.47 as compared with P198,599.20 for the fiscal year 1906.

Changes.—On September 30, 1906, the Hon. Paul W. Linebarger, judge of the seventh judicial district, resigned, and the vacancy was filled by the transfer of the Hon. John S. Powell from the fourteenth judicial district, and the appointment of the Hon. John E. Springer to be judge of the fourteenth judicial district, vice Judge Powell

transferred. Judge Springer, prior to his appointment, was attorney for the Moro Province.

The Hon. Charles H. Burritt, judge of the mountain judicial district, resigned on October 31, 1906, and the vacancy thereby caused was filled by the appointment of the Hon. Percy M. Moir, formerly fiscal of the district. At the time of his appointment, Judge Moir had resigned his office as fiscal and returned to the United States. He took the oath of office on March 12, 1907.

During the year the Hon. Newton W. Gilbert was appointed judge-at-large in the court of first instance. Judge Gilbert, at the time the appointment was tendered him, was a Member of Congress and resigned his membership in the House of Representatives to accept the appointment. He assumed the duties of his office on September 11, 1906.

Court of land registration.—It was found during the fiscal year that the 2 judges of the court of land registration could not possibly dispose of the cases presented to them for determination, and Judges Ross and Cui, 2 of the judges-at-large, were kept on duty almost continuously with this court. Even with 4 judges it became evident from the condition of the calendar at the end of the year that something must be done for the more speedy dispatch of the court's business.

Much time was lost by judges of the court in traveling from one part of the archipelago to another, and those desiring to perfect their titles were put to much inconvenience, not to say expense, in awaiting the arrival of the judge and the disposition of their cases. Due to the time lost awaiting reports of examiners of titles, to the stopping of further proceedings for the deposit of additional fees demanded by the clerk, to the return of reports of referees for corrections, or for further testimony, and to the long delays caused by postponements necessitated by absences of witnesses and of judges of the court of land registration in other provinces, great loss was caused to those desiring to perfect their titles, and in some measure property owners were disposed to bide with defective titles rather than to endure the annoyance, trouble, delay and expense of perfecting them.

Under and by virtue of the provisions of act No. 1648, enacted on May 16, 1907, judges of the courts of first instance may be detailed by the secretary of finance and justice to hear and make findings of fact in all land registration cases pending in their districts. When land registration cases are heard by a judge of first instance detailed as above stated, a report of the testimony taken and the judge's findings thereon is transmitted to the clerk of the court of land registration who submits the same for decision to the judge of the court of land registration to whom the case has been assigned.

The fees for the registration of titles, exclusive of surveys, are now proportioned to the assessed value of the property involved and are definitely fixed in amount. The cost of publication in newspapers of notices of applications for registration of title is now borne by the government instead of by the applicants as heretofore.

The report of the clerk of the court of land registration shows that during the fiscal year 1907 there were 474 sessions held as against 292 for the year 1906. Two hundred and fourteen of the sessions of 1907 were held in Manila and 260 in the provinces. During the fiscal year 1906 there were only 189 sessions held in Manila and 103 in the

provinces. During the year 1907, however, there were but 238 cases disposed of as compared with 713 for the year 1906. On June 30, 1907, there were 1,443 cases pending as against 1,058 on June 30, 1906. During the fiscal year 1907 there were filed 1,059 applications for registration of title. The total number of applications filed for registration of title from the organization of the court until July 1, 1906, is 2,467. The average number of cases filed per month during the fiscal year 1907 was 88 as compared with 76 during the fiscal year preceding.

The 1,059 applications filed during the year 1907 were distributed among the various provinces as follows:

Albay	3	Misamis	0
Ambos Camarines	52	Mindoro	2
Antique	1	Moro	64
Bataan	0	Negros Occidental	64
Batangas	20	Negros Oriental	18
Benguet	0	Nueva Ecija	50
Bohol	0	Pampanga	64
Bulacan	54	Pangasinan	21
Cagayan	11	Palawan	0
Capiz	1	Rizal	63
Cavite	7	Romblon	4
Cebu	46	Samar	3
Ilocos Norte	2	Sorsogon	7
Ilocos Sur	8	Surigao	0
Iloilo	54	Tarlac	38
Isabela	0	Tayabas	29
Laguna	32	Union	2
Leyte	51	Zambales	17
Manila	270		
Masbate	1	Total	1,059

The property mentioned in the applications filed during the year 1907 represents a value of over ₱10,000,000. The value of the property presented for registration since the organization of the court is about ₱40,000,000.

The following table will show the number of provinces in which the court held sessions, the number of days of session, and the number of cases on the calendar for hearing:

Province.	Days.	Cases.	Province.	Days.	Cases.
Albay	17	35	Manila	214	258
Ambos Camarines	6	23	Mindoro	0	0
Bataan	2	2	Moro	9	14
Batangas	6	4	Negros Occidental	19	66
Benguet	0	0	Negros Oriental	2	8
Bulacan	17	36	Nueva Ecija	13	33
Cagayan	14	42	Pampanga	31	77
Capiz	0	0	Pangasinan	6	37
Cavite *	1	1	Palawan	6	4
Capiz	7	20	Rizal	14	34
Ilocos Norte	0	0	Samar	1	3
Ilocos Sur	0	0	Sorsogon	22	79
Iloilo	15	59	Tarlac	12	44
Isabela	0	0	Tayabas	5	30
Laguna	10	16	Union	0	0
Leyte	21	85	Zambales	4	18
Masbate, subprovinces of	2	4			

* Most of the Cavite cases are heard in Manila.

The court granted title in 211 cases, in 10 of which appeals were taken, and in 201 of which title was finally adjudged and certificate

thereof issued. The court refused to decree title in 5 cases, one of which is now pending on appeal. Seventeen applications for registration of title were dismissed by the court. The failure to dispose of more cases during the year 1907 was largely due to the fact that many cases were postponed pending the production of further evidence of title, of amendments to the application, or of corrected plans and descriptions. Eight hundred and twenty-six of the cases, postponed for these or other reasons satisfactory to the court, were filed during the fiscal year 1907.

It is believed that the reforms accomplished by act No. 1648 will permit of a more speedy disposition of land registration matters and will induce a larger registration of property by small owners who have hitherto been discouraged by delays and expense.

Justices of the peace.—Of the 620 justices of the peace in the islands only 91 submitted the annual report required of them by section 77 of act No. 136. The reports of the 91 justices of the peace disclose that 2,455 civil cases were presented to them during the fiscal year just passed, of which 1,909 were determined either by judgment on the merits or dismissal, leaving 546 cases pending on the 31st of December, 1906. Six thousand and sixty-five criminal cases were filed in the 91 justice of the peace courts, of which 5,328 were disposed of, leaving 737 cases pending on December 31, 1906. The fees and fines collected by the justices of the peace making the report required by law was ₱30,916.23, an average of about ₱340 for each justice.

The failure to report as required by law was due in large measure to the many changes among justices of the peace brought about by frequent resignations.

While there have been many justices of the peace who have rendered faithful, efficient and capable service, it may be said with entire truth that the majority of the justices of the peace have not been satisfactory. Indeed, the justice of the peace courts constitute the one great defect in the judicial system, and to remedy it will require the substitution of higher grade men for the deficient now in the service, and that means time, money and education. Act No. 1627, passed March 30, 1907, will, it is thought, make the office of justice of the peace more attractive to young men of ability and tend to better the service. Under this law provision is made for the transfer or promotion of justices of the peace to larger municipalities offering better remuneration. The fees have been increased to some extent and the amount of clerical labor required has been materially reduced. Justices of the peace must now attend the annual meeting of justices, and traveling expenses incurred in that behalf are paid by the Insular Government. Blanks, stationery, and dockets are furnished to the justices of the peace without cost. The director of education is required to certify to the governor-general the names of all persons who complete the course for magistrates at the Philippine normal school. In making new appointments names so certified will ordinarily have the preference. For the purpose of correcting abuses and of instructing them in their duties, justices of the peace have been placed under the direct supervision of the judges of the courts of first instance.

Act No. 1546 consolidated the two offices of justice of the peace for the city of Manila, and one justice now performs the duties formerly performed by two.

Provincial fiscals.—During the fiscal year just ended the work of the provincial fiscals has, on the whole, been highly satisfactory. The fiscals have become more familiar with American court procedure and direct and constant supervision over their work is far less necessary than it was prior to the year 1905.

There have been several changes in the incumbents of the offices of fiscal during the year. Señor V. Singson Encarnación resigned as fiscal of Ilocos Sur on March 30, 1907, for the purpose of presenting his candidacy as representative of his province in the Philippine assembly. Señor Luis Encarnación was appointed as his successor. Señor Fulgencio Contreras, fiscal of Ambos Camarines, resigned his position on June 30, 1907, to become a candidate for the Philippine assembly, and this vacancy was filled by the temporary appointment of Señor Tomás Flodileza, an attorney-at-law of Nueva Caceres. Señor Francisco Soriano, fiscal of Surigao, also resigned to become a candidate for the Philippine assembly, and Señor José de la Rama was appointed his successor on July 30, 1907. Señor Bartolomé Revilla likewise presented his resignation to become a candidate for representative from Rizal, and was succeeded by Señor Eugenio Arnedo on July 8, 1907. Señor Higinio Benitez, fiscal of Laguna, tendered his resignation on July 6, 1907, to become a candidate for the Philippine assembly from that province, and on the acceptance of his resignation Señor Oscar Soriano was appointed to fill the vacancy.

The position of fiscal for Isabela Province has been abolished and the duties of the office imposed upon the fiscal of the province of Cagayan. It appearing unnecessary that Nueva Ecija and Tarlac should each have a fiscal, Señor Santiago Lucero was appointed fiscal for both provinces with residence at Tarlac. The position of fiscal for the province of Bataan has been abolished and the fiscal of Bulacan has been required to discharge the duties of fiscal for both provinces. The fiscal of the province of Capiz, in addition to his other duties, now performs those of the fiscal of Romblon; and the fiscal of Surigao, in addition to his other duties, performs those of the fiscal of Misamis. The duties of the fiscal of Zambales, which were formerly discharged by the fiscal of La Union, are now performed by an assistant attorney of the attorney-general's office designated for the purpose. An assistant attorney also takes charge of the work of fiscal for the province of Palawan.

OFFICE OF THE ATTORNEY-GENERAL.

General work of the office.—During the year the attorney-general's office rendered 250 written opinions to the chief executive, the heads of the 4 departments, chiefs of bureaus and other officials, and filed briefs and presented arguments in 283 cases in the supreme court. It appeared in the court of land registration and opposed registration of title in 202 cases. Titles in 142 cases were examined, but no opposition was presented to registration as prayed for by the applicants.

Administration of estates of deceased employees.—The administration by the attorney-general's office of the estates of deceased employees in which the value of the estate is less than ₱1,500 has been most satisfactory. During the fiscal year 31 employees of the government died leaving estates of less than ₱1,500. The number of deaths of such employees for the year 1906 was 44. The following table sets

forth the names of the decedents for the fiscal year 1907, the date of death, and the bureau in which employed:

Names of decedents.	Date of death.	Bureau in which employed.
J. M. Miller.....	July 2, 1906	Bureau of education.
Wm. H. Hart.....	July 4, 1906	City of Manila.
Patrick A. Galvin.....	July 8, 1906	Bureau of lands.
John Gorham.....	July 10, 1906	Bureau of public works.
De Forest M. Gunnison.....	July 12, 1906	Bureau of constabulary.
James L. Flake (administrator appointed by court).	July 21, 1906	Bureau of education.
J. G. Worswick.....	do.....	Bureau of constabulary.
Marvin W. Warren.....	July 31, 1906	Bureau of posts.
Thos. G. Vincent.....	Aug. 3, 1906	Bureau of navigation.
Percy E. Wagar.....	Aug. 12, 1906	Bureau of the treasury.
Sherman Lake.....	Aug. 10, 1906	Bureau of cold storage.
Arthur T. Williams.....	Aug. 9, 1906	Bureau of internal revenue.
John McBride.....	July 21, 1906	Bureau of constabulary.
George B. Hart.....	Apr. 18, 1906	Bureau of customs.
Edward R. King.....	Oct. 18, 1906	Bureau of posts.
George Pfeiffer.....	Oct. 23, 1906	Bureau of customs.
George V. Hahn.....	Nov. 5, 1906	Bureau of education.
Max Schnitzlein.....	Dec. 31, 1906	Bureau of health.
James L. Davis (administrator appointed by court).	Dec. 25, 1906	Bureau of education.
Chas. Reim.....	Dec. 31, 1906	Bureau of posts.
Levi Mickle.....	Jan. 6, 1907	Manila fire department.
Harry N. Ferris.....	Jan. 18, 1907	Bureau of education.
Herbert R. Spencer.....	Dec. 23, 1906	Bureau of internal revenue.
Richard B. Davis.....	Feb. 19, 1907	Bureau of education.
Thos. Wm. Little.....	Feb. 24, 1907	City of Manila.
Chas. D. Hart (administrator appointed by court).	Mar. 2, 1907	Bureau of education.
Jerry Osborn (administrator appointed by court).	Mar. 25, 1907	City of Manila.
James W. Duncan.....	Mar. 30, 1907	Bureau of customs.
Sam. C. Phipps.....	Apr. 19, 1907	Bureau of public works.
N. M. Lingvall.....	May 6, 1907	Bureau of audits.
Wm. T. Butler (administrator appointed by court).	June 4, 1907	Bureau of constabulary.

The total amount received by the attorney-general's office from estates of deceased employees was ₱20,183.71.

The total amount expended and paid to relatives during the said fiscal year was ₱18,717.44.

On June 30, 1907, there was still on hand in the attorney-general's office to the credit of estates pending settlement the sum of ₱10,021.61.

There are 15 estates of employees who died during the years 1902, 1903, 1904, 1905, and 1906, which can not be settled, owing to the inability to locate the relatives of the decedents. These estates will escheat to the government, as provided in sections 750, 751, and 752 of act No. 190, unless some claim is presented in the near future by relatives entitled to them. The names of the decedents whose estates are subject to escheat, together with the places and dates of death, are as follows:

Names of decedents.	Date.	Place of death.
J. H. Reuman.....	May 3, 1906	Benguet road.
Hermelindo Fernandez.....	Apr. 10, 1903	Do.
George Reichel.....	do.....	Do.
Ozell E. Hendrix.....	Mar. 10, 1903	Dapitan, Mindanao.
J. T. McCluskey.....	Apr. 2, 1906	Benguet road.
J. L. Tate.....	Dec. 25, 1904	Do.
J. D. Turner.....	Dec. 12, 1904	Manila.
George Gardner.....	Sept. 28, 1903	Do.
James D. Garvey.....	Feb. 24, 1906	Do.
John White.....	Apr. 18, 1902	Do.
Harry W. Bush.....	Sept. 10, 1904	Do.
John McCullough.....	Mar. 2, 1904	Zamboanga, Mindanao.
John Stein.....	Oct. 21, 1904	Benguet road.
Arthur C. Decker.....	Aug. 22, 1904	Do.
Fred H. Hamilton.....	do.....	Do.

The funds in the hands of the attorney-general to the credit of estates which will escheat, unless claim therefor is soon presented by relatives, is ₱3,217.08.

Personnel.—During the fiscal year 1906 the personnel of the attorney-general's office consisted of 1 attorney-general, 1 solicitor-general, 1 assistant attorney-general, and 11 assistant attorneys, with a total salary of ₱80,500. The personnel of the office for the fiscal year 1907 consisted of 1 attorney-general, 1 assistant attorney-general, and 9 assistant attorneys, with a total salary list of ₱59,600, a net saving to the government of ₱20,900 per annum. In addition to this saving the attorney-general's office has made a further saving of ₱15,000, by taking over the duties formerly performed by special counsel in Friar land matters and by performing the duties of provincial fiscal in the provinces of Palawan, Zambales, and the provinces constituting the mountain district.

For further and more complete information as to the work of the judiciary and the attorney-general's office during the fiscal year 1907, reference is hereby made to the report of the bureau of justice which is hereto annexed, made a part hereof, and marked "Exhibit No. 1."

BUREAU OF THE TREASURY.

BANKS AND BANKING.

Examinations.—During the fiscal year examinations were made by the bank examiner of the Hongkong and Shanghai Banking Corporation and its branch at Iloilo, the Chartered Bank of India, Australia and China, and its branch at Cebu, the Banco Español-Filipino and its branch at Iloilo, the Manila Building and Loan Association, and the San Misaka Bank.

The banking institutions in the islands which are subject to examination by the insular treasurer now number 11 and the insular treasurer finds some difficulty in making the semiannual examinations required by law. Indeed, during the last year he has found it impossible to make the examinations of banking institutions every six months. He requests an addition to his force in order that the law may be complied with. The undersigned is disposed to believe that his application for additional help should be granted.

The San Misaka Bank.—The examination of the San Misaka Bank disclosed that the business of the bank was carried on in such a way that loss would probably result to depositors and creditors. Accordingly an executive order was issued directing the insular treasurer to take charge of the institution and close up its affairs. The business of the San Misaka Bank was confined exclusively to Japanese people. Its loans seem to have been made wholly without security to the people whose financial responsibility was unsatisfactory. The books showed that the resources were amply sufficient to meet its liabilities, but unfortunately the resources did not bear investigation and it may be said with truth that the outlook for creditors and depositors is not very encouraging.

The Bank of Pangasinan.—It will be remembered that during the fiscal year 1906 the Bank of Pangasinan was closed by order of the governor-general and placed in the hands of the insular treas-

urer in order that its affairs might be wound up. All the creditors of the bank have been paid in full and the affairs of the bank will be considered as finally settled when ₱900 now due the bank have been paid. As soon as this sum has been collected a report of the operations of the bank will be made to the court and a petition presented for the discharge of the receiver.

The American Bank.—The creditors of the American Bank have been paid 53 per cent of their claims, but it is almost certain that no further payments on their claims will be made in view of the fact that the remaining assets of the bank are considered worthless.

Postal Savings Bank.—In accordance with act No. 1493, passed by the Philippine Commission on May 24, 1906, a postal savings bank was duly established and began business on October 1, 1906. On June 30, 1907, there were deposited in the bank so established funds to the amount of ₱490,000, which have been invested in accordance with law and pursuant to resolutions adopted by the investment board.

Under the terms of the act and the amendments thereto moneys deposited in the postal savings bank may be invested:

First, in bonds or other evidences of indebtedness of the United States, the government of the Philippine Islands, or the city of Manila, or in bonds of any municipality of the Philippine Islands issued in pursuance of section 66 of the act of Congress approved July 1, 1902, as amended; provided that not more than 10 per cent of the total deposits be invested in bonds of the municipalities of the Philippine Islands exclusive of the city of Manila.

Second, by depositing the same, under proper security, in any bank situated in the United States or in the Philippine Islands having an unimpaired paid-up capital equivalent to ₱1,500,000 or over, Philippine currency.

Third, in stocks or shares of banks doing business in the Philippine Islands having a paid-up capital of ₱1,500,000 or over; provided, however, that not more than 10 per cent of the total deposits shall be invested in such securities.

Fourth, in loans, secured by first mortgages or deeds of trust, upon improved and unincumbered city real estate, title to which has been duly registered in accordance with act No. 496. No loan shall be made on such property without the approval of four-fifths of the members of the investment board, nor in excess of 40 per cent of the assessed value thereof, nor in excess of 5 per cent of the total deposits in the postal savings bank; provided, however, that in no case shall any loan exceed ₱50,000 on any one piece of property or continue for a longer time than three years. The total investments in loans upon city real estate secured by mortgages or deeds of trust must not exceed 25 per cent of the total deposits in the bank.

Fifth, in loans, secured by first mortgages or deeds of trust, upon cultivated, improved, and unincumbered agricultural lands the title to which has been registered by the court of land registration. Such loans, however, can not be made without the consent of all the members of the investment board, nor shall any loan exceed 20 per cent of the assessed value of the land tendered as security; provided, however, that no loan on any one piece of property shall exceed ₱10,000 or continue for a longer time than five years. Investments in

mortgages or deeds of trust on improved and unincumbered agricultural lands can not exceed 10 per cent of the total deposits in the bank.

Sixth, in any securities the principal or interest of which is guaranteed by the Government of the United States or by the government of the Philippine Islands.

Seventh, in loans on securities the principal or interest of which is guaranteed by the Government of the United States or by the government of the Philippine Islands. Loans on such securities, however, shall not exceed 80 per cent of the market value thereof and no loans shall be made on such securities for a longer period than one year.

The rate of interest paid to depositors by the postal savings bank has been fixed at $2\frac{1}{2}$ per cent per annum until experience has shown that a higher rate can be paid.

Agricultural bank.—If no acceptable proposition is made within a reasonable time by private capital for the establishment of an agricultural bank the insular treasurer recommends that out of the general funds ₱1,000,000 be set apart by the Philippine legislature for the founding of an agricultural bank to be supervised, operated, and controlled by the treasury bureau. It is thought that the treasury bureau, as now organized, can, with the assistance of the provincial treasurers, conduct the business of such a bank with little or no additional expense save that of printing.

The undersigned is of the opinion that the experiment is well worth the trial. If it succeeds it is probable that the effect which resulted from the establishment of a government bank in Egypt will follow in the Philippines, and that private capital will be more disposed to take over such an enterprise once its feasibility has been proved by the government.

Condition of the banking business.—The following consolidated statement of the resources and liabilities of commercial banks in the Philippine Islands, exclusive of the Bank of Zamboanga, shows the condition of the banking business during the fiscal year 1907, as compared with that of 1906:

	June 30, 1906.	June 30, 1907.	Increase.	Decrease.
RESOURCES.				
Loans and discounts.....	₱8,009,638.14	₱7,788,673.26		₱220,964.88
Overdrafts:				
Secured.....	8,698,819.90	9,833,356.18	₱1,134,536.28	
Unsecured.....	1,620,971.12	1,035,723.45		585,247.67
Stocks, securities, etc.....	151,801.47	98,642.67		53,158.80
Banking house, furniture, and fixtures.....	153,735.23	169,681.46	15,946.23	
Other real estate and mortgages owned.....	364,447.25	528,214.85	163,767.60	
Due from other banks.....	314,940.03	153,111.67		161,828.36
Due from head office and branches.....	3,878,336.91	3,031,296.22		847,040.69
Due from agents and correspondents.....	318,062.26	654,730.81	336,668.55	
Bills of exchange.....	906,231.26	1,055,238.04	149,006.78	
Cash on hand.....	4,575,462.40	8,447,611.91	3,872,149.51	
Checks and other cash items.....	118,738.93	119,800.94	1,062.01	
Profit and loss account.....	72,178.09	51,835.80		20,342.29
Other resources.....	1,520,016.97	1,136,798.04		383,218.93
Total.....	30,703,379.96	34,104,715.30	5,673,136.96	2,271,801.62
LIABILITIES.				
Capital stock.....	2,500,000.00	2,500,000.00		
Reserve fund.....	2,425,267.52	2,573,836.16	148,568.64	
Undivided profits.....	1,502.11	275,596.20	274,094.09	
Bank notes in circulation.....	1,500,000.00	1,459,265.00		40,735.00
Due to other banks.....	314,940.03	184,070.33		130,869.70

	June 30, 1906.	June 30, 1907.	Increase.	Decrease.
LIABILITIES—continued.				
Due to head office and branches.....	P9,467,444.38	P9,079,617.76		P387,826.62
Due to agents and correspondents.....	60,433.61	69,597.72	P9,164.11	
Dividends due and unpaid.....	67,330.54	66,514.54		816.00
Demand deposits.....	21,131.90	283,872.66	262,740.76	
Time deposits.....	3,679,975.74	6,078,759.94	2,398,784.20	
Current accounts.....	9,310,374.67	10,252,513.06	942,138.39	
Savings deposits.....		566,596.04	566,596.04	
Bills payable:				
Domestic.....	8,875.74	11,963.81	3,087.57	
Foreign.....	18,575.75	15,340.74		3,235.01
Cashiers' checks outstanding.....	35,296.33	91,770.75	56,474.42	
Certified checks.....	699,146.94	236,097.35		463,049.59
Suspense account.....	204,098.83	280,835.81	76,736.98	
Other liabilities.....	388,985.87	65,772.83		323,213.04
Profit and loss account.....		12,695.10	12,695.10	
Total.....	30,703,379.96	34,104,715.30	4,751,080.30	1,349,744.96

TRANSFER OF FUNDS.

The banking institutions of the islands are located in the city of Manila with established branches in Iloilo and Cebu. The lack of banking institutions in the various provinces, the lack of ways of communication, and the difficulties of transportation made the transfer of funds by business and commercial interests very expensive and burdensome. In view of the fact that there are frequent transfers of money from provincial treasuries to the insular treasury and from the insular treasury to provincial treasuries the Commission thought it advisable to take advantage of these exchanges for the purpose of aiding commercial interests by securing to them a ready means of transferring funds at a minimum of cost. Accordingly, act No. 1636 was passed on the 30th of April, 1907. By virtue of its provisions the insular treasurer is authorized to issue for Philippine currency, offered in sums of not less than ₱500, demand drafts and telegraphic transfers upon funds in the hands of provincial treasurers when such transfers may be made without embarrassment to the provincial treasuries, the amount received for such drafts and telegraphic transfers to be deposited in the insular treasury to the credit of the provincial treasurer.

Provincial treasurers are also authorized to exchange for Philippine currency, offered in sums of not less than ₱500, similar drafts and telegraphic transfers upon funds to the credit of the province with the insular treasury.

For this service a small premium is charged. The cost of printing and transporting currency to meet the requirements of the act is borne by the gold-standard fund. The cost of postage, telegrams, and other charges incident to the carrying into effect of the act are charged, either against the funds appropriated for the current expenses of the office making the expenditure or against the gold-standard fund, as may be determined by the insular treasurer with the approval of the secretary of finance and justice.

MEXICAN AND SPANISH-FILIPINO CURRENCY.

Estimated amount in circulation at time gold standard was adopted.—At the time of the substitution of a stable currency on a gold-standard basis it was estimated that there was in circulation

Mexican and Spanish-Filipino currency amounting to about ₱31,000,000. The net exports of Mexican and Spanish-Filipino currency from July 1, 1903, to July 1, 1907, were Pfs. 33,201,524.59. If to this be added Pfs. 65,910.09, Mexican and Spanish-Filipino currency in the treasury at the end of the present fiscal year, and the further sum of Pfs. 200,000, estimated as the amount of Mexican and Spanish-Filipino currency still in circulation in the islands, we have a total of Pfs. 33,467,434.68, which represents approximately the amount of Mexican and Spanish-Filipino currency which was in circulation in the islands at the time the circulating medium was placed upon a gold-standard basis. This amount does not include ₱2,057,000 of Spanish-Filipino bank notes which were in circulation on June 30, 1903. During the fiscal year 1907 the insular treasurer purchased Pfs. 78,934.22 at a cost of ₱60,718.05. This is at the rate of Pfs. 1.30 for ₱1.00, Philippine currency.

Shipments of Mexican and Spanish-Filipino currency.—The total exports for the period from July 1, 1903, to and including June 30, 1907, were as follows:

By commercial houses.....	Pfs. 18, 828, 770. 59
By the government.....	16, 541, 457. 00
Total.....	35, 370, 227. 59

The total exported includes the sum of Pfs. 2,168,703 imported between July 1, 1903, and January 14, 1904, on which date a law was passed prohibiting the importation of Mexican and Spanish-Filipino currency.

Recoinage of Mexican and Spanish-Filipino currency.—Since the introduction of the new currency there has been shipped to the San Francisco mint for recoinage the sum of Pfs. 16,527,457.

The following table will show the character of the money shipped and recoinage, standard ounces produced, and the Philippine currency resulting, on the basis of 416 grains weight .900 fine to the peso:

Character of money.	Amount.	Standard ounces produced.	Philippine currency.
Pesos.....	4, 100, 282. 00	3, 287, 658. 47	3, 789, 180. 23
50-cent pieces.....	10, 710, 962. 50	8, 258, 861. 80	9, 514, 078. 73
20-cent pieces.....	1, 380, 742. 80	1, 051, 701. 99	1, 209, 439. 55
10-cent pieces.....	320, 262. 50	240, 574. 48	278, 056. 72
Miscellaneous.....	15, 237. 20	15, 586. 62	17, 965. 94
Total.....	16, 527, 457. 00	12, 854, 383. 36	14, 806, 741. 17

There is now on hand in the treasury Pfs. 7,682, which will coin ₱10,431.62 Philippine currency of the weight and fineness prescribed by act No. 1564. If this sum of ₱10,431.62 and the sum of ₱19,059, profits derived from the sale of Mexican currency in Manila, be added to ₱14,806,741.17, the amount of Philippine currency resulting from recoinage, the total estimated proceeds from recoinage of Mexican and Spanish-Filipino currency and transactions therein will reach the sum of ₱14,836,231.79. The total amount paid by the government for Mexican and Spanish-Filipino currency was approximately ₱14,377,833, to which must be added ₱454,850 for shipment, recoinage and other expenses, making a total cost to the government for recoinage of ₱14,832,683, which if

subtracted from the total proceeds would leave a net gain to the government of ₱3,548.79 on the redemption and recoinage of the old silver currency. Copper coins of the value of Pfs. 123,686.66 were purchased by the treasury at a cost approximately of ₱104,582. In addition, 25,612½ pounds of rude copper coins manufactured by the Igorotes were purchased for ₱10,244.83, which, added to the cost of copper coins legally circulating on July 1, 1903, would make the sum of ₱114,826.83, which represents the total cost to the government of copper coins legally and illegally circulating at the time of the introduction of the new currency. Most of the copper coins purchased by the government have been sold and the net loss to date is ₱8,084.90. The net result, therefore, of redeeming Mexican and Spanish-Filipino currency and copper coins legally and illegally circulating in the islands was a loss of ₱4,536.11.

The amounts set out under this heading as to circulation are necessarily estimated. All other figures are subject to revision and correction by the insular auditor, who is making a careful review of all accounts touching the redemption of Mexican and Spanish-Filipino currency and the coinage of silver on a gold standard basis.

SEIGNIORAGE.

The estimated seigniorage profits resulting to the government from the purchase of bullion for coinage in accordance with act No. 696 amounts to the sum of ₱2,720,342.59, from which, deducting the loss of ₱4,536.11 on the redemption operations of the government, would leave a net seigniorage profit of ₱2,715,806.48 as the result of the coinage of bullion and the recoinage of Mexican and Spanish-Filipino currency as authorized by Congress. These figures will be slightly altered by profit or loss on the sale of old copper coins now on hand.

THE COINAGE OF 1907.

At the end of the year 1905 the Philippine peso was worth from 2 to 4 cents more as bullion than as coin. In consequence, on November 17, 1905, act No. 1411, prohibiting the exportation from the islands of Philippine silver coins or bullion made by melting or otherwise changing said coins, was passed by the Commission. In September and October, 1906, there was a further marked rise in the price of bullion, and in November, 1906, the price of prompt silver in London reached its highest point since 1893, and the value of the Philippine peso as bullion was ₱1.11.

This great increase in the value of bullion made it very profitable to treat the Philippine currency as merchandise and to export it from the islands for whatever commercial advantage might accrue. Notwithstanding the heavy penalties imposed by act No. 1411 for the exportation of Philippine silver coins or bullion made therefrom, Philippine coins continued to be surreptitiously exported or taken out of the country. It is reported that at one time the Hongkong and Shanghai Banking Corporation had ₱400,000 of Philippine money in its vaults, and it is estimated that owing to the rise in silver between ₱750,000 and ₱1,000,000 were withdrawn from circulation and exported as merchandise. It was very evident that penalizing the exportation of Philippine money would not prevent

its exportation, so long as the face value of the coins was so much less than their bullion value, and that the diminution of the bullion value of the coins offered the only satisfactory and adequate security against surreptitious exportation and a serious reduction of the circulating medium. Accordingly, on June 23, 1906, Congress passed an act authorizing the insular government to reduce the weight and fineness of Philippine coins and to fix the fineness of the Philippine peso at not less than 700 parts of pure silver and 300 parts of alloy, and the weight and fineness of subsidiary coins in proportion.

Under the authority of this act of Congress the Commission on December 6, 1906, provided, by act No. 1564, for a new silver coinage and fixed the weight and fineness of the new coins as follows:

A peso of 20 grams of silver, .800 fine; a 50-centavo piece of 10 grams of silver, .750 fine; a 20-centavo piece of 4 grams of silver, .750 fine; a 10-centavo piece of 2 grams of silver, .750 fine.

In accordance with the Congressional enactment act No. 1564 further provided that the silver coins then in circulation should be recoined at the new weight and fineness prescribed in the act, and in pursuance with this provision ₱2,000,000 of the original coinage authorized by act No. 696 was shipped to San Francisco on December 15, 1906. The total shipments for recoinage from December 15, 1906, the date of the first shipment, to June 30, 1907, was ₱8,000,000, and the total amount recoined and returned to Manila at the end of the fiscal year just passed was ₱4,275,000 recoined in the San Francisco mint, and ₱1,000,000 subsidiary coin, coined in the Philadelphia mint from bullion purchased. There is now in circulation ₱4,500,000 of the weight and fineness prescribed by act No. 1564. During the first three months after the introduction into circulation of the new coinage, Chinese traders made a vigorous attempt to discredit the new money by discounting it and by offering a premium on the old peso. This was probably done with the intention of gathering in the old coin and surreptitiously exporting it. The premium paid and the cost incurred in successful smuggling operations left so small a margin of profit, however, that the discounting of the new coin was soon abandoned, and at the date of writing this report the new coin is accepted without question in every part of the islands. Indeed, the demand for the new coin for exchange purposes has so far exceeded the supply that it became necessary to withdraw nearly half a million of the new pesos from the banks in order to fill requisitions made by the provinces. The banking institutions gave substantial aid in putting the new coin into circulation, and are entitled to very great credit for the valuable assistance lent by them in sustaining the new coins and in bringing the same into the hands of the public.

CERTIFICATES OF INDEBTEDNESS.

The fifth series of certificates of indebtedness, amounting to \$1,500,000 United States currency, issued on September 1, 1905, became due and payable on September 1, 1906, and were paid off as follows: \$500,000 United States currency out of the gold standard fund; \$1,000,000 United States currency out of funds realized from the sale of the sixth series of certificates of indebtedness.

The sixth series was paid off on September 1, 1907, and as there was on deposit in New York City more than \$3,000,000 United States

currency to the credit of the gold standard fund, no further issue of certificates of indebtedness was deemed necessary.

GOLD-STANDARD FUND.

The telegraphic transfers and demand drafts on the gold-standard fund sold in Manila on New York and the premiums realized thereon during the fiscal years 1904, 1905, 1906, and 1907 are shown by the following table:

Fiscal year.	Telegraphic transfers and demand drafts sold.	Premiums realized.
1904.....	\$3,338,955.03	₱67,880.40
1905.....	2,236,996.75	43,777.50
1906.....	7,454,860.98	136,591.35
1907.....	3,636,062.77	65,306.84

In March and April, 1907, exchange on the gold-standard fund was sold for the first time in New York on Manila as follows:

Date.	Telegraphic transfers.	Demand drafts.	Premiums realized.
March.....	\$200,000	.....	₱1,500
April.....	60,000	.....	450
Total.....	260,000	.....	1,950

In addition to those realized on commercial exchange as stated in the foregoing tables, there was received in premiums for exchange sold to other bureaus of the government for the fiscal year 1906, ₱1,912.50, and for the fiscal year 1907, ₱51,097.28, making a total of ₱53,009.78.

The following table shows the operations of the gold-standard fund during the fiscal year 1907:

Items	Fund in Manila.		Fund in New York.
	Philippine currency.	United States currency.	United States currency.
DEBITS.			
Balance June 30, 1906.....	₱70,926.08	\$242,022.51	\$2,628,127.90
New York exchange.....	7,756,185.54	3,000.00	130,000.00
Premiums on New York exchange.....	65,305.84		
Premiums on Government exchange.....	51,097.28		
Currency exchanges.....	9,282,748.28	12,877,712.09	
Exchange with other funds.....	4,100,000.00		1,345,000.00
Sale of local currency.....	45,107.97		
New coinage received from United States.....	5,335,000.00		
Miscellaneous.....	130.00	2.50	
Redemption of Philippine currency in New York.....		2,501.00	
Transfers with general fund.....		1,750,013.18	750,000.00
Transfers from depositories in United States.....		10.00	
Transfers to depositories in United States.....			64,747.50
Exchange with Treasurer United States.....		1,000,000.00	9,093,729.42
Interest on deposits in New York.....			76,824.09
Sale of proof sets.....			322.00
Proceeds sale sixth series certificates of indebtedness.....			1,022,800.00
Premium on telegraphic transfer New York to Manila.....			975.00
Advances repaid.....	527.75		
Total.....	26,565,176.56	15,875,261.28	15,112,025.91

* Overdraft.

† Not including ₱s. 132,484.23 Mexican and Spanish-Philippine currency valued at ₱101,910.94. Of the ₱s. 132,484.23 stated ₱s. 120,000 consists of old copper coin.

Items.	Fund in Manila.		Fund in New York.
	Philippine currency.	United States currency.	United States currency.
CREDITS.			
Currency exchanges.....	P25,755,424.18	\$4,641,374.13	-----
Purchase of local currency.....	60,718.05	-----	-----
Cablegrams.....	1,261.72	-----	-----
New York exchange.....	280,000.00	-----	\$3,881,092.77
Exchange with other funds.....	2,330,000.00	2,200,000.00	1,000,000.00
Sent to United States mints for recoinage.....	8,000,000.00	-----	-----
Miscellaneous expenses.....	43,883.51	-----	-----
Purchase of bullion, advanced for.....	.66	-----	750,000.00
Exchange with Treasurer United States.....	-----	9,093,729.42	-----
Transferred to depositories in United States.....	-----	64,760.00	-----
Redemption Philippine currency in New York.....	-----	-----	2,501.00
Transfer with general fund.....	-----	-----	2,500,013.18
Certificates of indebtedness.....	-----	-----	1,500,000.00
Interest on fifth and sixth series of same.....	-----	-----	45,000.00
Advances for expenditure.....	-----	-----	70,000.00
Balance on hand June 30, 1907.....	* 9,946,111.56	* 124,602.27	5,363,418.96
Total.....	26,565,176.56	15,875,261.28	15,112,025.91

* Overdraft.

* Not including Pfs. 65,910.09 Mexican and Spanish-Philippine currency valued at P50,700.07. Of the Pfs. 65,910.09 stated Pfs. 58,228.09 is in copper coin, the bullion value of which is about P40,000.

CIRCULATION.

The total amount of Philippine certificates and of silver and minor coin, exclusive of coin returned to the United States mints for recoinage, received by the insular treasurer to June 30, 1907, the amount on hand in the treasury, the total circulation whether in notes or coin, and the number of coins of each denomination in circulation at the close of the fiscal year, are set forth in the following tables:

Philippine certificates.

Date.	2-peso certificates—		5-peso certificates—	
	In circulation.	In vaults.	In circulation.	In vaults.
September 30, 1906.....	P1,970,000	P1,030,000	P1,820,000	P4,180,000
December 31, 1906.....	1,802,295	760,000	1,791,240	4,180,000
March 31, 1907.....	1,579,608	390,000	1,808,230	4,070,000
June 30, 1907.....	2,329,608	1,940,000	2,063,230	3,815,000

Date.	10-peso certificates—		20-peso certificates—	
	In circulation.	In vaults.	In circulation.	In vaults.
September 30, 1906.....	P9,250,000	P1,750,000	P1,200,000	P4,800,000
December 31, 1906.....	9,400,420	1,550,000	2,639,740	3,360,000
March 31, 1907.....	8,808,680	2,000,000	2,951,340	3,040,000
June 30, 1907.....	9,308,680	6,500,000	3,711,340	2,280,000

Date.	50-peso certificates—		100-peso certificates—		500-peso certificates—	
	In circulation.	In vaults.	In circulation.	In vaults.	In circulation.	In vaults.
September 30, 1906.....	P170,000	P3,830,000	P130,000	P3,870,000	P900,000	P2,100,000
December 31, 1906.....	319,950	3,680,000	190,000	3,810,000	1,049,500	1,950,000
March 31, 1907.....	369,050	3,630,000	209,800	3,790,000	849,000	2,150,000
June 30, 1907.....	419,050	3,580,000	709,800	3,290,000	2,999,000	-----
Total in circulation June 30, 1907.....						P21,540,708
Total in vaults June 30, 1907.....						21,405,000

Philippine coins.

Character of money.	Received.	In treasury vaults.	In circulation.	Coins in circulation.
Pesos.....	₱23,835,635.00	₱7,522,437.00	₱16,313,198.00	16,313,198
50-centavo pieces.....	3,374,221.00	308,081.00	3,066,140.00	6,132,280
20-centavo pieces.....	1,765,744.40	57,965.40	1,707,779.00	8,638,985
10-centavo pieces.....	1,078,681.40	29,490.90	1,049,190.50	10,491,905
5-centavo pieces.....	499,250.00	253,172.60	246,077.40	4,921,548
1-centavo pieces.....	378,300.00	28,238.16	350,061.84	35,006,184
½-centavo pieces.....	88,670.00	35,256.49	53,413.51	10,682,702
Total.....	31,020,501.80	8,234,641.55	22,785,860.25	92,086,712

The total in circulation, whether in coin or notes, by months, with increase or decrease over previous month, is as follows:

Date.	Amount in circulation.	Increase (+) or decrease (-).
1906.		
July 31.....	₱30,225,241.71	+ ₱194,830.11
August 31.....	31,614,094.11	+1,388,852.40
September 30.....	32,017,957.56	+ 403,863.45
October 31.....	33,223,778.00	+1,205,820.44
November 30.....	35,077,222.58	+1,853,444.58
December 31.....	35,162,531.46	+ 85,308.88
1907.		
January 31.....	35,101,204.63	- 61,326.83
February 28.....	36,073,785.60	+ 792,580.97
March 31.....	37,430,436.07	+1,356,650.47
April 30.....	38,927,077.33	+1,496,641.26
May 31.....	41,156,557.08	+2,229,479.76
June 30.....	42,814,314.75	+1,657,757.67

CERTIFICATES DESTROYED.

From October 13, 1906, to September 6, 1907, mutilated and worn Philippine certificates of the following denominations and values were redeemed and destroyed, to wit:

Denomination.	Full value.	Half value.
2 pesos.....	₱1,065,946	₱30.00
5 pesos.....	307,945	30.00
10 pesos.....	465,930	130.00
20 pesos.....	29,840	.....
50 pesos.....	2,450	.....
100 pesos.....	700	.....
500 pesos.....	1,500	.....

SPECIAL DEPOSITS.

The treasury bureau is charged with the following special deposits, which have been placed on interest in the several banking institutions of the city of Manila:

Postal savings bank funds.....	₱490,000.00
Rizal monument funds.....	114,939.01
Franchise deposits.....	23,000.00
Fidelity deposits.....	247,530.00
Constabulary pension and retirement fund.....	91,000.00
Assurance fund, land titles, act No. 496.....	18,000.00
Conservatory of music fund.....	973.83
Total.....	985,442.84

There has been deposited in United States banks to the credit of the Manila sewer and water funds \$1,617,005.35, and to the credit of the sinking fund for the redemption of Manila sewer and water bonds \$39,898.33, making a total of \$1,656,903.68.

EXPENSE OF CONDUCTING THE BUREAU.

The expense of conducting the bureau during the fiscal year 1907 for salaries and wages of officers and employees was ₱112,419.92, and for contingent expenses such as transportation, office supplies, printing, furniture, etc., ₱8,760.52. There were paid during the fiscal year 1907 for expenses incurred during prior fiscal years ₱9,025.19. The grand total of expenses paid by the bureau for salaries and wages of officers and employees, for contingent expenses, and for expenses incurred during previous fiscal years was ₱130,205.63.

EARNINGS OF THE BUREAU.

The earnings of the gold-standard fund from the sale of drafts in Manila on New York, inclusive of sales to government bureaus, were ₱116,403.12. The interest accruing on funds deposited in authorized depositories in the United States, exclusive of trust funds, was ₱608,641.98. No interest has been received on deposits of government funds in Manila.

For further and more complete details as to the operations of the treasury bureau reference is hereby made to the report of the insular treasurer, which is hereto annexed, made a part hereof, and marked "Exhibit No. 2."

BUREAU OF CUSTOMS.

ACTS OF THE PHILIPPINE COMMISSION AFFECTING THE CUSTOMS SERVICE.

Act No. 1522 so modifies act No. 780 as to require the board on Philippine marine examinations to meet monthly instead of 3 times a year as formerly and reduced the previous service required of applicants for masters' licenses to two years in seagoing vessels. Applicants for first mates' licenses are now required to show that they have served as certified second mates for at least one year in seagoing vessels, or, holding for one year a second mate's license, that they have served as certified third mates for at least three years in seagoing vessels. Applicants for second mates' licenses are required by the amended law to show service as third mates in seagoing vessels for at least one year.

The requirement of act No. 780 that applicants for masters' licenses should not be less than 28 years of age, for first mates' licenses not less than 25 years of age, and for second mates' licenses not less than 23 years of age has been abolished by act No. 1522.

This act further requires that applicants for licenses as chief engineers, first assistant engineers, and second assistant engineers shall show service on seagoing steamers as follows:

Chief engineers, two years' service as licensed first assistant engineers.

First assistant engineers, one year's service as second assistant engineers.

Second assistant engineers, two years' service as oilers or firemen. Second assistant engineers must not be less than 19 years of age.

Applicants for licenses as bay and river engineers are required to show service for at least two years as firemen on steam launches or other steam vessels and must not be less than 18 years of age. Every person holding a license as bay and river engineer who has served for at least one year under such license is eligible for examination as second assistant engineer on seagoing vessels.

Act No. 1523, enacted August 9, 1906, prohibits the importation of lottery tickets or lottery advertisements into the Philippines. Under this act numerous shipments of lottery tickets have been seized by customs officers. The tickets so seized were destroyed as provided by law.

Act No. 1528, passed August 22, 1906, so amends section 201 of act No. 355 as to permit of the exportation of salvage gear and apparatus from the Philippine Islands for use abroad, and, upon proper identification, its reimportation into the Philippine Islands without payment of duty.

Act No. 1535, enacted August 31, 1906, repeals the provisions of law imposing tonnage dues on vessels arriving from a port or place outside the Philippine Islands. This act became effective on September 1, 1906, and since that date no tonnage dues have been collected at entry ports of the Philippine Islands. Owing to the abolition of these tonnage dues there was a loss to the revenues during the past fiscal year of ₱79,696.12. The suspension of tonnage dues has encouraged vessels plying between Australian, Chinese, and Japanese ports to make Manila a port of call and has induced some of the large steamers engaged in the Pacific Ocean trade to enter Philippine ports. It is thought that in time the benefit to trade and commerce resulting from this change of policy will more than compensate for any loss of revenue which might otherwise have accrued to the government.

Act No. 1566, passed December 7, 1906, permits of the free entry of material and supplies to be used in the construction of railroads in accordance with the provisions of acts Nos. 1497 and 1510.

Act No. 1574, passed December 14, 1906, continues in force until May 1, 1908, the existing rates of duty on rice husked and unhusked, and on rice flour. After May 1, 1908, the duty on rice, unhusked, will be 80 cents United States currency per 100 kilos, on rice, husked, \$1 United States currency per 100 kilos, and on rice flour \$2 United States currency per 100 kilos. This increase in duty will redound to the benefit of the Philippine rice farmer and will serve to encourage the production of rice to cover the demands of local consumption.

Act No. 1576, enacted December 14, 1906, provides that the decision of the insular collector of customs shall be final in all seizure cases in which the appraised value of the property is less than 200 pesos. As a result of the passage of this act, prompt settlement of small cases is made feasible with substantial justice to the government and all parties concerned.

Act No. 1602, passed March 12, 1907, so modifies act No. 780 as to constitute the insular collector of customs, the supervising inspector of hulls and boilers, the assistant inspector of hulls, and 2 other persons to be designated by the insular collector of customs, members

of the "board on Philippine marine examinations." Prior to the passage of this amendatory act, the board was made up of the insular collector of customs, the superintendent of the nautical school, the inspector of boilers, the inspector of hulls, and the master of a merchant vessel named by the insular collector of customs.

Act No. 1610, passed March 14, 1907, empowers the insular collector of customs to prescribe the number and class of marine officers to be carried on coastwise vessels.

Act No. 1655, passed May 18, 1907, reenacts the substantive part of the act of Congress, known as the "pure food and drugs act," and provides the necessary machinery for carrying the law into effect. It requires that general regulations for its enforcement shall be prepared by the insular collector of customs, the collector of internal revenue, and the director of health. These regulations, prepared by the officials designated, were approved by the secretary of the interior on May 23, 1907, and are now in force.

DRAWBACK.

It was expected that the repayment to the importer of duties paid on imported merchandise used in the manufacture of articles subsequently exported from the Philippine Islands would assume considerable importance and be taken advantage of by manufacturers of goods and wares for export. The expected result has not followed, however, and the minor importance to the manufacturers of the drawback provision is shown by the fact that during the fiscal year just passed there were but 35 entries presented, on which the total amount of refund was the insignificant sum of \$552.77. Of the total sum refunded \$507.88 was for paper used in the manufacture of cigarettes. Four of the drawback entries were for material used in the manufacture of hats, and the duty refunded amounted to only \$44.89. From this it may be seen that for the present the advantage taken of the drawback privilege by manufacturers is hardly worthy of notice.

CARRYING TRADE.

More than 56 per cent of all the goods imported into the Philippine Islands during the year 1907 and more than 76 per cent of all goods exported therefrom were carried by British vessels. The value of imported goods so carried was \$16,697,111, an increase of \$1,756,127 as compared with 1906. The value of goods exported in such vessels was \$26,015,019 as compared with \$25,294,385 carried in 1906.

Spanish vessels imported in 1907 goods to the value of \$6,195,281 as compared with \$5,820,663 in 1906.

The value of goods imported by German vessels was \$1,000,000 more in 1907 than in 1906. There was also a slight increase in the value of goods exported in such vessels.

Goods to the value of \$760,718 were imported in 1907 in Japanese vessels. The value of goods exported in such vessels during the fiscal year 1907 was \$558,026.

Goods to the value of \$662,901 were carried by vessels of the Philippine Islands to and from foreign ports during the year 1907. The value of goods carried by such vessels in 1906 was only \$483,942.

There was a marked decline in the value of goods imported and exported in American vessels. The value of goods imported in

American vessels in 1907 was only \$942,940, as compared with \$1,783,266 in 1906. The wrecking of 2 of the largest American vessels engaged in the trans-Pacific carrying trade was responsible in some measure for this reduction in the value of goods imported into the Philippines and exported therefrom in American bottoms. The total value of merchandise imported into the Philippine Islands from the United States was \$5,664,254, of which only \$942,940, or 16.6 per cent, was carried in American bottoms. The total value of goods exported from the Philippines to the United States was \$12,082,364, of which \$831,463, or 6.8 per cent, was exported in American vessels.

If the navigation laws of the United States go into effect in the Philippine Islands as provided by the act of Congress of April 30, 1906, either enough American ships must be provided for the carrying trade at freight rates considerably less than those now prevailing, or trade with the United States will of necessity be diverted to foreign countries.

The following table shows the number of foreign vessels, with their net tonnage, entering coastwise ports under clearance from another coastwise port, or clearing from one coastwise port for another:

	Entered.		Cleared.	
	Vessels.	Net tons.	Vessels.	Net tons.
Manila.....	23	59,936	58	142,133
Iloilo.....	60	89,978	17	35,936
Cebu.....	32	97,487	56	100,239
Jolo.....	13	8,819	13	9,090
Zamboanga.....	27	29,069	27	32,472

During the fiscal year 1907 there was a very decided improvement in the coastwise trade, which, of course, was due to increased production and the general betterment of commercial conditions. Increased production was greatly encouraged during the past fiscal year, first, by constituting as ports of call many ports rarely and not regularly visited by coastwise steamers, and, second, by the establishment, through the coast-guard service, of communication with various ports theretofore either wholly neglected or seldom favored with a call by vessels engaged in the coastwise trade. It is the policy of the government to utilize the coast-guard service for the purpose of establishing new routes of communication with communities deprived of a market for their products by lack of transportation, and to turn over such routes to private enterprise as soon as their commercial value and utility have been shown. That this policy has met with success is due to the persistent efforts of the secretary of commerce and police and the bureau of navigation.

During the fiscal year 1907 the coastwise tonnage entered at the various ports of entry was 894,189, as compared with 770,271 tons in 1906. The coastwise tonnage cleared at the various ports of entry during the fiscal year 1907 was 899,915, as compared with 774,032 in 1906.

IMPORTS.

The following table gives a comparative summary of imports into the Philippine Islands, by countries, during the fiscal years 1905, 1906, and 1907:

	1905.	1906.	1907.
United States.....	\$5,839,512	\$4,333,917	\$5,664,254
East Indies (French).....	5,968,614	3,554,244	3,474,236
England.....	4,612,537	4,772,416	6,028,040
Chinese Empire.....	2,949,071	2,650,320	2,759,715
East Indies (British).....	2,007,514	1,202,081	1,626,299
Spain.....	1,932,078	1,192,362	1,756,667
Germany.....	1,498,898	1,802,961	1,655,422
British Australasia.....	1,365,662	1,223,668	1,753,874
Japan.....	1,018,983	57,386	1,010,043
All other Asia.....	978,745	319,289	298
France.....	832,007	34,120	851,595
Switzerland.....	444,970	592,954	605,260
Russia.....	302,446	43,928	5,602
Belgium.....	299,155	59,521	293,055
Hongkong.....	244,997	305,741	346,622
Scotland.....	232,641	344,493	605,286
Italy.....	152,802	197,965	258,855
Netherlands.....	103,139	150,165	221,897
Austria-Hungary.....	94,343	88,788	170,534
East Indies (Dutch).....	79,175	70,592	262,750
Quebec, Ontario, etc.....	20,344	9,367	13,366
Sweden and Norway.....	6,900		
Denmark.....	5,213	8,704	18,672
Egypt.....	3,540	1,955	2,570
Ireland.....	3,215	7,111	12,249
British Columbia.....	1,100	464	11,354
Turkey in Asia.....	819	50	123
Turkey in Europe.....	386	293	47
Malta.....	195	286	806
East Indies (Portuguese).....	83		
Portugal.....	57	119	103
Nova Scotia.....	40		
Cuba.....	5		
French China.....	2	3,513	4
Sweden.....		3,434	6,285
Norway.....		1,833	1,697
Brazil.....			112
Panama.....			154
Aden.....		115	
British China.....		354	415
Korea.....		351	3,232
Siam.....			208,126
Persia.....			36,346
Guam.....		14	
Hawaiian Islands.....		743	
British Africa.....		72	
Canary Islands.....		4	
Siberia.....			175
Total.....	30,999,988	25,811,093	29,666,140
Free of duty.....	1,683,623	1,998,981	3,111,783
Dutiable.....	29,316,365	23,812,112	26,554,357

NOTE.—Currency included. Government free entries excluded. Fractions of dollars omitted.

The relative rank of countries exporting goods to the Philippine Islands during the fiscal years 1905, 1906, and 1907, in excess of \$1,000,000, is shown by the following table:

Country.	1905.	1906.	1907.
East Indies (French).....	First.....	Third.....	Third.
United States.....	Second.....	Second.....	Second.
England.....	Third.....	First.....	First.
Chinese Empire.....	Fourth.....	Fourth.....	Fourth.
East Indies (British).....	Fifth.....	Seventh.....	Eighth.
Spain.....	Sixth.....	Fifth.....	Fifth.
Germany.....	Seventh.....	Eighth.....	Seventh.
British Australasia.....	Eighth.....	Sixth.....	Sixth.
Japan.....	Ninth.....	Tenth.....	Ninth.
France.....		Ninth.....	

It will be noted from this comparative table that East Indies (French), which was at the head of the list in exports to the Philippines in 1905, fell to third place in 1906 and has there remained. The cause of this decline in exports from East Indies (French) was due principally, if not altogether, to the decrease in importations of rice into the Philippines from Saigon.

From the comparative table of imports into the Philippine Islands for the years 1905, 1906, and 1907, it will be noted that the importations from Russia dropped from \$302,646 in 1905 to \$5,602 in 1907. This reduction in importations from Russia is due chiefly to the fact that the United States has again gained control of the petroleum trade in the Philippines and as a result importations of that commodity from Russia might almost be disregarded.

The decrease of imports from Japan in 1906 was probably due to the disturbance of trade caused by the Japanese-Russian war. It will be noticed that the imports from Japan during the year 1907 were only about \$9,000 less in value than the imports from the same country during the year 1905.

A monopoly of the fresh-meat trade and the furnishing of considerable quantities of vegetables and fruits to the Philippines has served to steadily increase importations from British Australasia.

The value of goods imported into the Philippine Islands during the fiscal year 1907, excluding government free entries, was \$29,666,140, inclusive of currency, as compared with \$25,811,093 for the fiscal year 1906, currency included, government free entries excluded. This was an increase of \$3,855,047 notwithstanding the fact that in 1907 there was a reduction in importations of rice of more than \$713,000, in malt liquors of about \$84,000, and in jewelry of about \$110,000.

The articles of import which largely increased during the fiscal year 1907 as compared with 1906 are cotton goods, iron and steel (machinery), mineral oils, opium, and paper and manufactures thereof, as will appear from the following statement:

Article.	1906.	1907.
Cotton goods.....	\$6,642,329	\$8,320,079
Iron and steel (machinery).....	1,798,653	2,544,992
Mineral oils.....	447,176	816,763
Opium.....	440,464	513,287
Paper and manufactures thereof.....	410,083	506,754

The value of opium imported into the Philippine Islands during the fiscal year 1907 exceeded that imported during the year 1906 by \$72,823. The act of Congress prohibiting the importation of opium after March 1, 1908, except for medicinal purposes, coupled with legislation by the Commission looking to the suppression of the opium habit in the Philippines, will cause a reduction in the customs revenue of about \$300,000 annually.

The principal imports into the Philippine Islands are cotton goods, rice, iron and steel manufactures, flour, illuminating oils, opium, paper and manufactures thereof, distilled spirits and malt liquors. The following comparative table will show the value of these imports from all countries and from the United States from the fiscal year 1901 to and including the fiscal year 1907:

Article and country.	1901.	1902.	1903.	1904.
Cotton goods:				
All countries	\$0, 441, 047	\$6, 965, 978	\$6, 284, 370	\$4, 962, 354
United States	94, 665	167, 887	389, 303	319, 666
Rice:				
All countries	5, 490, 958	6, 578, 481	10, 061, 323	11, 548, 814
Iron and steel and manufactures:				
All countries	1, 861, 948	2, 088, 110	1, 902, 491	2, 412, 936
United States	287, 967	431, 888	465, 720	821, 160
Flour:				
All countries	501, 199	685, 970	727, 950	842, 908
United States	356, 193	642, 672	686, 291	833, 056
Illuminating oils:				
All countries	451, 349	497, 639	652, 557	485, 435
United States	22, 748	213, 312	325, 576	246, 519
Opium:				
All countries	619, 338	819, 625	721, 551	770, 596
Paper and manufactures:				
All countries	474, 994	668, 705	503, 235	490, 806
United States	77, 192	280, 192	134, 701	102, 864
Distilled spirits:				
All countries	411, 859	510, 258	307, 681	227, 578
United States	218, 767	238, 131	120, 656	84, 977
Malt liquors:				
All countries	1, 042, 594	547, 517	488, 131	310, 411
United States	855, 306	466, 257	397, 382	221, 632

Article and country.	1905.	1906.	1907.
Cotton goods:			
All countries	\$6, 336, 962	\$6, 642, 329	\$8, 320, 079
United States	764, 088	278, 796	1, 056, 328
Rice:			
All countries	7, 456, 738	4, 375, 500	3, 662, 493
Iron and steel and manufactures:			
All countries	2, 646, 123	1, 796, 653	2, 544, 992
United States	1, 147, 387	693, 016	864, 336
Flour:			
All countries	727, 591	824, 034	889, 174
United States	613, 987	446, 076	370, 271
Illuminating oils:			
All countries	792, 897	358, 317	790, 447
United States	443, 512	272, 231	551, 699
Opium:			
All countries	850, 381	440, 464	513, 287
United States			46
Paper and manufactures:			
All countries	515, 061	410, 083	506, 754
United States	141, 232	116, 912	135, 473
Distilled spirits:			
All countries	266, 706	199, 525	218, 967
United States	102, 499	55, 931	52, 774
Malt liquors:			
All countries	278, 732	225, 482	141, 838
United States	215, 895	139, 932	79, 730

EXPORTS.

The value of exports during the years 1905, 1906, and 1907 to foreign countries is shown by the following table:

	1905.	1906.	1907.
United States.....	\$15,687,875	\$11,580,569	\$12,082,864
England.....	8,668,823	7,502,730	8,624,499
Spain.....	1,436,627	1,803,775	1,796,316
Hongkong.....	6,116,737	4,351,914	2,952,193
Japan.....	548,607	532,245	477,070
France.....	1,401,753	2,703,328	2,689,593
East Indies (British).....	723,490	672,423	803,893
British Australasia.....	443,922	457,444	481,576
Chinese Empire.....	1,521,067	1,752,138	2,035,300
Japanese China.....			85
British Africa.....	830	8,760	7,760
Austria-Hungary.....	37,282	379,021	340,145
Germany.....	130,118	459,426	788,018
Belgium.....	43,720	182,861	244,759
East Indies (Dutch).....	24,132	31,509	24,632
Netherlands.....	73,032	65,852	313,056
Italy.....	59,316	71,260	155,284
Quebec, Ontario, etc.....	7,102	4,802	6,367
Gibraltar.....	5,831	22,399	18,107
Russia.....	3,230		8,385
Scotland.....	3,465	4,250	124,715
Hawaiian Islands.....	3,105	2,665	2,852
British Columbia.....	3,467	4,644	4,978
Siam.....			8,246
Persia.....			45
All other Asia.....	3,133	5,318	21,492
Guam.....	287	296	310
German Oceania.....			783
East Indies (French).....	11,305	6,335	56,820
Korea.....	2,080	3,534	7,198
Auckland Islands.....	1,819	4,791	5,041
Uruguay.....	7,040	17,422	14,553
Switzerland.....	843	3,214	2,429
Canary Islands.....	760		4,878
Argentine Republic.....	5,670	9,447	11,226
British Guiana.....			120
Aden.....	740	746	455
Malta.....	1,695	1,798	2,028
Nova Scotia.....	20,141	1,496	2,633
East Indies (Portuguese).....	2,940	267	936
Portugal.....	7,900	7,380	1,214
French Africa.....		70	110
Denmark.....	4,975	9,295	4,342
Norway.....			110
All other Africa.....	444	3,065	509
Tonga, Samoa, etc.....			342
Egypt.....	20,092	623	397
British China.....	20		
French China.....	275	171	
Guatemala.....		139	
Mexico.....		1,661	
Chile.....		120	
Turkey in Asia.....		85	
Portuguese Africa.....		120	
Peru.....		4	
Total.....	37,116,810	32,671,401	34,127,253

NOTE.—Currency included. Fractions of dollars omitted.

The relative rank of the principal countries importing goods, wares and merchandise from the Philippine Islands during the fiscal years 1905, 1906, and 1907, graded according to value of goods imported by such countries, is shown by the following table:

Country.	1905.	1906.	1907.
United States.....	First.....	First.....	First.....
England.....	Second.....	Second.....	Second.....
Hongkong.....	Third.....	Third.....	Third.....
Chinese Empire.....	Fourth.....	Sixth.....	Fifth.....
France.....	Fifth.....	Fourth.....	Fourth.....
Spain.....	Sixth.....	Fifth.....	Sixth.....
East Indies (British).....	Seventh.....	Seventh.....	Seventh.....
Japan.....	Eighth.....	Eighth.....	Tenth.....
British Australasia.....	Ninth.....	Tenth.....	Ninth.....
Germany.....	Tenth.....	Ninth.....	Eighth.....

The value of all exports from the Philippine Islands during the fiscal year 1907 was \$34,127,253, currency included, and \$33,721,517, currency excluded, as compared with \$32,671,401, for the fiscal year 1906, currency included. The nearest approach to this exportation from the Philippines since American occupation was the exportation during the fiscal year 1903 which amounted to \$33,150,120.

The chief articles of export are hemp, sugar, copra, and tobacco. The following table shows the value of these exports from the fiscal year 1901 to and including the fiscal year 1907:

Article and country.	1901.	1902.	1903.	1904.
Hemp:				
All countries.....	\$14,453,110	\$15,841,316	\$21,701,575	\$21,794,960
United States.....	2,402,867	7,261,459	12,314,312	10,631,561
Sugar:				
All countries.....	2,293,058	2,761,432	3,955,828	2,668,507
United States.....	93,472	293,354	1,335,826	354,144
Copra:				
All countries.....	2,648,305	1,001,656	4,472,679	2,527,019
United States.....	4,450	7	9,173	9,231
Tobacco:				
All countries.....	2,217,728	2,501,467	1,881,758	2,013,287
United States.....	5,027	8,615	46,162	1,857

Article and country.	1905.	1906.	1907.
Hemp:			
All countries.....	\$22,146,241	\$19,446,769	\$21,085,081
United States.....	12,954,515	11,168,226	11,326,964
Sugar:			
All countries.....	4,977,026	4,863,865	3,934,460
United States.....	2,618,487	260,104	234,074
Copra:			
All countries.....	2,095,352	4,043,115	4,053,193
United States.....	14,425		108,086
Tobacco:			
All countries.....	1,996,038	2,389,890	3,129,194
United States.....	6,820	31,003	26,253

For the purpose of showing the quantities and values of hemp, copra, sugar, and tobacco exported to all countries and to the United States, from 1899 to 1907, inclusive, the following tables are furnished:

HEMP.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.		Value per ton.
	Tons.	Value.		Tons.	Value.	
1899.....	58,898	\$6,185,293	0.451	22,703	\$2,436,169	\$105
1900.....	75,496	11,393,883	.526	25,358	3,446,141	151
1901.....	110,448	14,453,110	.546	17,872	2,402,867	131
1902.....	108,237	15,841,316	.583	44,810	7,261,459	146
1903.....	130,159	21,701,575	.547	70,526	12,314,312	167
1904.....	129,742	21,794,960	.588	60,912	10,631,691	168
1905.....	128,564	22,146,241	.596	72,196	12,954,515	172
1906.....	110,399	19,446,769	.595	61,068	11,168,226	176
1907.....	112,895	21,085,081	.617	57,469	11,326,864	187

COPRA.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.	
	Pounds.	Value.		Pounds.	Value.
1899.....	30,968,544	\$556,870	0.047		
1900.....	81,749,665	1,890,897	.078		
1901.....	115,807,370	2,648,305	.10	227,689	\$4,450
1902.....	43,401,486	1,001,656	.036	104	7
1903.....	215,234,046	4,472,679	.112	134,629	9,173
1904.....	119,341,505	2,527,919	.070	383,680	9,231
1905.....	82,797,227	2,095,352	.056	452,118	14,425
1906.....	145,851,913	4,043,115	.123		
1907.....	108,206,130	4,053,193	.118	2,446,156	108,066

SUGAR.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.	
	Tons.	Value.		Tons.	Value.
1899.....	13,246	\$520,935	0.038	2,303	\$143,500
1900.....	77,073	3,000,501	.123	141	21,000
1901.....	55,691	2,293,058	.086	2,119	93,472
1902.....	66,737	2,761,432	.10	5,143	293,354
1903.....	109,899	3,955,828	.099	33,891	1,335,826
1904.....	73,977	2,668,507	.072	11,443	354,144
1905.....	111,850	4,977,026	.134	56,948	2,618,487
1906.....	123,813	4,863,965	.148	7,187	260,104
1907.....	118,395	3,934,460	.115	6,506	234,074

Cigars, cigarettes, and all other tobaccos.

CIGARS.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.	
	Thousands.	Value.		Thousands.	Value.
1899.....	167,991	\$1,294,653	0.097	1,810	\$7,162
1900.....	219,098	1,189,942	.054	532	1,885
1901.....	149,496	1,260,175	.047	1,335	5,027
1902.....	225,420	1,666,822	.06	464	8,539
1903.....	119,721	947,246	.024	332	3,866
1904.....	104,803	968,899	.026	96	1,795
1905.....	95,739	971,177	.026	728	6,790
1906.....	93,136	904,250	.026	1,288	23,405
1907.....	116,719	1,051,621	.030	1,593	26,067

Cigars, cigarettes, and all other tobaccos—Continued.

CIGARETTES.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.	
	Thousands.	Value.		Thousands.	Value.
1899.....	4,869	\$525			
1900.....	15	1,753			
1901.....	7,844	11,092	0.0004		
1902.....	7,189	9,995	.0003	47	\$76
1903.....	20,502	20,699	.0005	5	3
1904.....	11,804	12,586	.0003	14	27
1905.....	14,637	16,404	.0005	134	30
1906.....	18,892	16,801	.0005	126	88
1907.....	152,777	104,268	.003	128	216

ALL OTHER TOBACCO.

Fiscal year.	All countries.		Per cent of total exports.	To the United States.	
	Pounds.	Value.		Pounds.	Value.
1899.....	13,357,024	\$917,536	0.067		
1900.....	18,334,064	989,439	.045		
1901.....	17,936,905	956,451	.036		
1902.....	21,846,686	824,650	.03		
1903.....	20,747,241	913,815	.023	244,377	\$42,293
1904.....	19,142,232	1,031,832	.028	211	35
1905.....	16,310,432	1,008,060	.027		
1906.....	21,470,345	1,468,839	.044	110,120	7,510
1907.....	30,133,680	1,973,305	.057		

VALUE OF IMPORTS AND EXPORTS.

The following tables show the value of imports and exports at the various ports of the Philippine Islands during the fiscal years 1904, 1905, 1906, and 1907, gold and silver coin included:

IMPORTS.

	1904.	1905.	1906.	1907.
Manila.....	\$28,784,236	\$28,071,700	\$21,868,257	\$24,745,311
Cebd.....	2,662,961	2,634,413	1,700,762	2,381,761
Iloilo.....	2,447,670	1,817,578	1,683,172	1,889,113
Jolo.....	269,510	274,110	231,772	274,577
Zamboanga.....	152,372	187,878	306,851	352,407
Bongao.....	2,420	4,466	4,764	544
Puerto Princesa.....	4,315			
Cape Melville.....	1,509			
Balabac.....	2,478	9,845		
Jurata.....			12,347	14,246
Sitanki.....			2,856	3,975
			322	4,206
Total.....	34,327,481	30,999,988	25,811,093	29,666,140

Government free entries not included.

EXPORTS.

	1904.	1905.	1906.	1907.
Manila.....	\$30,508,303	\$27,393,308	\$23,902,986	\$24,920,715
Cebd.....	3,489,224	5,663,913	4,789,274	5,512,711
Iloilo.....	2,833,524	3,796,181	3,676,863	3,279,165
Jolo.....	120,117	138,355	142,533	183,721
Zamboanga.....	77,543	110,573	135,127	205,986
Bongao.....	111	4,755	7,452	1,128
Puerto Princesa.....	450			
Cape Melville.....	1,859			
Balabac.....	2,254	9,725	12,128	11,865
Jurata.....			4,401	5,412
Sitanki.....			617	6,550
Total.....	37,033,185	37,116,810	32,671,401	34,127,253

It will be noted from these tables that after Manila, Cebu is now the most important port in the islands, and that Iloilo has been relegated to third place. Zamboanga has become a more important port than Jolo, both as to imports and exports.

BALANCE OF TRADE.

During the fiscal year 1907 the exports exceeded the imports by \$4,461,113. Excluding currency, the balance of trade in favor of the islands for the fiscal year 1907 was \$4,055,695.

CUSTOMS COLLECTIONS.

The gross customs collections for the fiscal year 1907 were \$8,194,708.52, as compared with \$7,553,206.06 in 1906. The gross expenditures on all accounts for the bureau of customs during the fiscal year 1907 were \$461,111.45, as compared with \$491,081.68 for the year 1906, a decrease in expenditures for the year 1907 of \$29,970.23. Of the total gross collections \$3,009,213.66 accrued to the insular government and \$185,494.86 to the Moro Province. Of the gross expenditures \$436,415.28 were expended for account of the insular government and \$24,696.17 for account of the Moro Province.

The gross collections include the refundable duty paid on hemp exported to the United States, which amounted to the sum of \$433,458.58 for the fiscal year 1907, as compared with \$433,991.79 for the fiscal year 1906.

Under existing laws the duties paid on hemp exported to the United States must be refunded and this results in a distinct loss to the insular revenues of more than \$400,000 a year without any corresponding benefit to the citizens of the islands.

The following table shows the amount of duties refunded on hemp from the fiscal year 1902 to 1907, both years included:

Fiscal year.	Manila.	Cebu.	Total.
1902.....	\$35,346.83	\$35,717.86	\$71,064.69
1903.....	410,946.43	116,281.67	527,228.10
1904.....	378,213.07	84,220.76	462,433.83
1905.....	376,195.12	110,380.44	486,575.56
1906.....	347,296.13	86,695.66	433,991.79
1907.....	327,836.82	105,621.76	433,458.58
Total for Manila, fiscal years 1902-1907, inclusive.....			1,875,834.40
Total for Cebu, fiscal years 1902-1907, inclusive.....			538,918.15
Grand total.....			2,414,752.55

The following comparative tables show the customs collections and the sources from which derived at all entry ports in the Philippine Islands for the fiscal years 1904, 1905, 1906, and 1907:

Ports.	1904.	1905.	1906.	1907.
Manila.....	\$7,131,379.86	\$6,814,910.78	\$6,180,408.01	\$6,605,887.66
Cebu.....	634,817.03	782,787.59	644,212.45	802,591.46
Iloilo.....	604,852.27	531,266.01	585,329.82	596,015.88
Jolo.....	78,076.05	75,300.28	67,214.89	82,028.30
Zamboanga.....	41,120.20	54,359.93	89,408.48	100,446.28
Aparri.....	1,592.41			
Puerto Princesa.....	1,718.77			
Cape Melville.....	1,545.28			
Bongao.....	1,223.00	1,562.54	1,456.81	346.77
Balabac.....	743.39	3,267.12	3,825.94	4,718.68
Jurata.....			1,244.00	1,434.87
Sitanki.....			104.66	1,238.64
Total.....	8,493,868.26	8,263,444.25	7,553,206.06	8,194,708.52

Source of receipts.	1904.	1905.	1906.	1907.
Import duty.....	\$6,740,117.56	\$6,664,096.93	\$6,064,332.18	\$6,641,396.06
Export duty.....	1,253,507.67	1,082,286.40	1,051,734.09	1,153,888.06
Harbor improvement tax.....	137,424.17	218,441.89	238,554.97	235,771.34
Tonnage tax:				
Coastwise.....	108,575.21	103,680.39	49,918.67	45,674.62
Foreign.....	70,641.36	62,587.88	50,560.83	10,712.77
Fines and seizures.....	30,843.00	9,494.07	5,408.80	5,652.43
Storage and cartage.....	12,650.58	7,497.59	7,884.03	5,939.14
Immigration dues.....	20,069.00	23,420.00	19,322.50	19,635.50
Admeasurement fees.....	8,718.32	9,141.62	1,533.78	1,210.82
Auction sales.....	6,873.49	5,204.18	1,173.84	2,415.18
Various other sources.....	104,447.90	77,593.30	62,782.37	72,412.60
Total.....	8,493,868.26	8,263,444.25	7,553,206.06	8,194,708.52

The establishment of the ports of Bongao, Balabac, Jurata, and Sitanki in the Moro Province, was for the purpose of aiding in the suppression of a contraband trade carried on from Borneo to the various islands of the Jolo Archipelago. The port of Bongao was closed as a port of entry on the first of September, 1907.

COST OF COLLECTION.

The following table shows the percentage cost of collection for the Moro Province and for the various entry ports separately stated for the fiscal year 1907:

	Per cent.
Philippine Islands, all entry ports.....	0.048
Insular government, all ports except those in Moro Province.....	.046
Moro Province, all ports in Moro Province.....	.133
Manila.....	.042
Cebu.....	.028
Iloilo.....	.042
Jolo.....	.108
Zamboanga.....	.094
Bongao.....	5.994
Balabac.....	.528
Jurata.....	1.633
Sitanki.....	1.561

In this percentage cost of collection is not included the cost of operation of revenue cutters, the expense of the immigration bureau, or of the inspection of hulls and boilers, for the reason that such expenditures have no direct connection with the customs revenues.

The percentage cost of collection at the port of Manila includes the cost of the insular collector's office and the cost of supervision, office supplies, furniture and fixtures for the whole customs service.

IMMIGRATION.

The following table shows the number of passengers arriving at and departing from the Philippine Islands from the fiscal year 1904 to and including the fiscal year 1907:

Nationality.	Arrived.				Departed.			
	1904.	1905.	1906.	1907.	1904.	1905.	1906.	1907.
Americans.....	13,151	12,931	7,647	3,058	1,438	1,910	1,833	2,028
Filipinos.....	941	1,187	693	823	751	668	587	722
Spaniards.....	688	569	580	544	449	551	450	494
Japanese.....	2,770	1,167	277	374	284	827	371	318
British.....	424	438	479	328	210	409	419	288
German.....	113	82	89	93	69	101	75	89
Italian.....	59	26	9	49				
French.....	58	79	75	37	29	44	59	44
Other Europeans.....	197	200	133	134	52	124	81	62
East Indians.....	230	208	84	85	146	171	82	72
Chinese.....	9,089	8,825	7,966	8,141	4,112	7,715	6,719	7,122
Other Asiatics.....	68	15	28	36				
Miscellaneous.....	198	174	233	196	174	255	337	485
Total.....	27,986	25,901	18,293	13,898	7,714	12,775	11,013	11,724

From this table it will be noticed that since 1904 there has been a steady decrease of immigration of Americans to the Philippine Islands which is coupled with a steady increase in the departures of Americans for the home land or other countries.

The immigration to the islands from Japan was 2,770 in 1904, 1,167 in 1905, 277 in 1906, and 374 in 1907. In 1906 there were 94 more departures than arrivals of Japanese, and in 1907 the number of arrivals of Japanese exceeded the departures by 56.

The number of Chinese arriving in the islands during the fiscal year 1907 was 8,141, of which number 71 were rejected, 36 on account of loathsome or dangerous contagious diseases, and 35 for other causes.

Prior to October 28, 1904, the decision of the Supreme Court of the United States in *In re Mrs. Gue Lim* (176 U. S., 459) was construed to apply only to such children as were of tender years and needed parental control and guidance as a matter of humanity. In accordance with the rule said to prevail in the United States, the secretary of finance and justice held that children required parental control and guidance until they had reached the age of 21. In consequence, the business of importing minor children has assumed large proportions, and it is evident that the liberality in admitting minor children is abused. During the fiscal year 1906, 511 Chinese children applied for admission and of these only 49 had reached the age of 16 years. In 1907, 938 minors applied for admission, of whom 124 were over 16 years of age. Of the 938 minor children who came into the islands in 1907, it is remarkable that but 35 were daughters, and equally remarkable is it that these minor children, in the overwhelming majority of cases, have become clerks, porters, laborers, and coolies in the employ of Chinese and other business houses. It is very evident that under the interpretation given to the term "minor child," the importation of Chinese laborers over 16 and less

than 21 years of age has been made comparatively easy. Several children imported as minor sons or daughters have been subsequently discovered to have been nothing more nor less than slaves, and 1 case—that of Chan Hoi Man—has recently been made the subject of criminal prosecution in the hope of putting a stop to frauds of this kind on the immigration law.

The number of Chinese arriving during the fiscal year 1907 with No. 6 certificates was 320, of whom 112 were merchants, as compared with 84 for the year 1906, of whom 55 were merchants. Of the 112 merchants arriving in 1907, 28 came from Amoy, 3 from Hongkong, 4 from Canton, 72 from Foochow, 4 from Shanghai, and 1 from Formosa. Of the 55 merchants who landed in the islands in 1906, 42 came from Amoy, 1 from Canton, 5 from Foochow, 5 from Shanghai, and 2 from Formosa. The great increase in the number of merchants arriving from Foochow during the fiscal year 1907 was due to the activities of the Pu An Guaranty Company, which was engaged in promoting immigration to the Philippines by methods designed to secure the successful landing of its clients regardless of the law in such cases. This company has been suppressed and it is presumed that during the present fiscal year the number of merchants arriving from Foochow will be considerably diminished.

MERCHANT MARINE.

The number of masters, chief mates, second mates, third mates, patrones, chief engineers, first assistant engineers, second assistant engineers, and bay and river engineers holding unexpired licenses and certificates and available for service, and those holding expired licenses and certificates and not available for service are as follows:

Class.	Available, holding unexpired licenses and certificates.				Unavailable, holding expired licenses and certificates.			
	Americans.	Filipinos.	Foreigners.	Total.	Americans.	Filipinos.	Foreigners.	Total.
Masters.....	22	56	33	111	42	6	38	86
Chief mates.....	6	17	8	31	14	4	5	23
Second mates.....	2	16	1	19	12	6	1	19
Third mates.....	1	35		36	5	11		16
Patrones:								
250 steam and 700 tons sail.....	2	10		12	4	5		9
200 steam and 700 tons sail.....		1		1		1		1
200 tons.....	4	105	3	112	5	94	3	102
Luzon and Visayas.....						1		1
Chief engineers.....	6	117	16	139	9	30	24	63
First assistant engineers.....	3	79	4	86	6	20	4	30
Second assistant engineers.....	3	120	4	127	7	25	2	34
Bay and river engineers.....	1	98	1	100	1	141		142
Total.....	50	654	70	774	105	344	77	526

From this table it appears that there are 50 Americans, 654 Filipinos, and 70 foreigners, who hold unexpired licenses and certificates and who are available for service in the merchant marine. The number of those available and holding unexpired licenses and certificates is just about sufficient to supply the demands of the coast-wise trade. In all probability the failure of many marine officers to renew their licenses for the fiscal year 1907 was due to the poor prospect of obtaining employment. In view of this fact it would seem that some modification should be made in the law which permitted

the issuance of certificates of service to foreigners, and that such certificates of service should now be limited to foreigners who were residing in the Philippine Islands on April 11, 1899.

PERSONNEL.

During the past three years there has been a gradual decrease in the number of Americans and a gradual increase in the number of Filipinos employed in the customs bureau. In the year 1904 there were 219 Americans and 218 Filipinos in classified positions in the Manila custom-house and 173 Filipinos in the unclassified service. In 1905 the number of Americans in the classified service was diminished to 194 and the number of Filipinos increased to 272. The number of Filipinos in the unclassified service was 146. The diminution in the number of unclassified Filipinos was due probably to transfers to the classified service after examination. In 1906 the number of Americans in the classified service was further diminished to 188 and the number of Filipinos increased to 288. The number of Filipinos in the unclassified service was 157. In 1907 the number of Americans in the classified service was reduced to 142 and the number of Filipinos to 261. The number of Filipinos in the unclassified service was increased from 157 to 175. There are now employed in the Manila custom-house 142 Americans and 436 Filipinos.

For further and more complete details of the operations of the bureau of customs reference is hereby made to the report of the insular collector of customs which is hereto annexed, made a part hereof, and marked "Exhibit No. 3."

BUREAU OF INTERNAL REVENUE.

COLLECTIONS.

The following table shows the total collections made during the fiscal years 1907 and 1906 by the collector of internal revenue acting for and in behalf of the insular government, to wit:

	1907.	1906.
Internal-revenue law (act No. 1189, Philippine Commission):		
Manufacturers of alcohol and tobacco products.....	P4,736,089.51	P4,328,144.37
Licenses—		
Dealers in alcohol and tobacco products.....	511,358.08	494,321.63
Merchants, manufacturers, and common carriers.....	1,374,245.97	1,365,392.50
Occupations, trades, and professions.....	380,172.72	308,184.49
Mines and mining concessions.....	2,140.19	15,264.72
Banks and bankers.....	141,606.78	155,160.50
Insurance companies.....	20,599.06	20,181.18
Documentary stamp taxes.....	181,136.96	166,167.38
Cedulas.....	1,919,705.00	1,756,777.00
Miscellaneous.....	897.33	125.13
Forest products.....	164,143.32	a 193,638.01
Total.....	9,432,095.52	8,803,356.91
Opium law (act No. 1461, Philippine Commission):		
Permits to habitual users.....	37,420.00	24,225.00
Tax on crude and prepared opium.....	562,201.77	57,199.89
Total.....	599,621.77	b 81,424.89
Weights and measures law (act No. 1519, Philippine Commission).....	5,746.15	(c)
San Lazaro estate (executive order No. 15, March 12, 1906).....	53,467.37	d 16,044.50

a Eight months only.
b Three months only.

c Manila and province of La Laguna, 4 months only.
d Three months only.

The following table shows the collections made during the fiscal years 1907 and 1906 by the collector of internal revenue as ex-officio assessor and collector for the city of Manila, to wit:

	1907.	1906.
City of Manila taxes (various acts of the Philippine Commission):		
Real estate tax.....	₱1,302,855.00	₱1,208,265.31
Matadero receipts.....	164,962.53	160,049.25
Market receipts.....	238,054.41	260,430.88
Municipal licenses.....	216,850.40	197,899.74
Rentals of city property.....	19,950.32	18,730.29
Municipal court receipts.....	53,331.43	68,500.77
Pail system.....	48,508.26	50,327.16
Vault cleaning.....	39,199.00	38,691.85
Building permits.....	15,314.47	17,958.90
Water rents.....	221,187.98	210,738.69
Board of health fees.....	9,752.60	15,048.00
Justice of peace and sheriff's fees.....	22,721.22	20,447.26
Cemetery fees.....	10,996.50	13,425.09
Percentage on receipts of Manila Electric Railway and Light Company.....	40,861.54	28,662.85
Other minor receipts, miscellaneous, and internal-revenue dividend.....	263,487.44	138,604.36
Total.....	2,668,033.10	2,465,780.40

The following is a résumé of the collections made by the bureau of internal revenue for the insular government and for the city of Manila:

	1907.	1906.
Internal-revenue taxes.....	₱9,432,095.52	₱8,803,356.91
Opium taxes.....	589,621.77	81,424.89
Weights and measures taxes.....	5,746.15	(a)
San Lazaro estate rentals.....	53,467.37	16,044.50
Municipal taxes, city of Manila.....	2,668,033.10	2,465,780.40
Total.....	12,748,963.91	11,366,606.70

(a) Not in operation.

Of the total collections made by the bureau of internal revenue 63 per cent was collected in Manila and 37 per cent in the provinces.

As appears from the résumé, the total amount of internal-revenue taxes collected, exclusive of opium taxes, weights and measures, and San Lazaro rentals, was ₱9,432,095.52, which is distributed among the insular, provincial, and municipal treasuries as follows:

	1907.	1906.
To the insular treasury.....	₱5,425,485.23	₱5,122,871.80
To the provincial treasuries:		
One-half cedula taxes.....	959,852.50	
10 per cent other collections.....	723,398.03	
	1,683,250.53	1,561,438.08
To the municipal treasuries:		
One-half cedula taxes.....	959,852.50	
15 per cent other collections.....	1,085,097.04	
Certain license taxes.....	278,410.22	
	2,323,359.76	2,119,047.03
Total.....	9,432,095.52	8,803,356.91

COST OF COLLECTION.

The cost of making the collections for the insular government and the city of Manila was ₱640,461.47, which is slightly more than 5 per cent of the total sum collected. In this cost of collection, however, is not included the value of the services rendered by provincial treasurers and their subordinates to the bureau of internal revenue. Adding to the cost of collection a proportionate amount for the services rendered to the bureau of internal revenue by provincial treasurers and their subordinates, it may be assumed that the cost of collection is not very much less than 7 per cent. This high cost of collection is due, first, to heavy cost of transportation in the provinces, and, second, to the fact that the work of the bureau has not been thoroughly systematized.

The labor of locating stills, instructing small shopkeepers in their duties, and the detection and correction of the frauds of small dealers has been something enormous. When the people have become accustomed to the internal-revenue law and the bureau can dispense with its educational department and such extra officials as are now employed for the purpose of procuring data as to the manufacture and production of alcohol and tobacco and other matters pertinent to the intelligent regulation of internal-revenue collections, the expense of collection ought to be very materially reduced. In fact, it ought not to greatly exceed the cost of collecting customs duties.

The consolidation of the division of assessments and collections of the city of Manila with the bureau of internal revenue made the collector of internal revenue ex-officio the city assessor and collector, and has brought about a substantial saving to the city in the collection of its taxes. This consolidation was effected on January 1, 1906. The following table shows the cost incurred by the city in the collection of its taxes from and including the fiscal years 1904 to 1907:

1904.....	₱163,791.38
1905.....	131,747.60
1906.....	104,478.19
1907.....	100,000.00

The percentage cost of collecting the city taxes during the fiscal year 1906 was 4.2 per cent. The percentage cost of collecting in 1907 was 3.7 per cent.

ALCOHOL AND TOBACCO PRODUCTS.

Distilled spirits.—During the year the bureau of internal revenue has actively continued its work of inducing distillers to abandon the native nipa distilling apparatus called “cauas” and to substitute therefor modern stills. It was found that the modern still, as it is known in the United States, was open to the objection: First, that the spirits produced by it lacked the distinctive flavor of the nipa palm or cocoa tree demanded by local consumers; and second, that the cost was beyond the means of small distillers, unless they organized themselves into associations or partnerships, which required a partnership accounting system and a more or less careful supervision of the business by all the partners if a fair division of profits was to be secured. The first objection was overcome by the making of a

modern caua, which preserves the distinctive flavor to which consumers are accustomed. The reduction from ₱3,000 to ₱1,200 in the price of a caua and the fact that the partners could take advantage of the internal-revenue accounts and government supervision for their protection removed the second objection. As soon as the vapor from the "tuba" is condensed it is carried into tanks under official seal, and no spirits can be withdrawn from these tanks until the seals are broken by the official storekeeper in the presence of the owner or manager of the distillery and the contents measured, gauged, and certified to by the official gauger. The result of measurement by the gauger is entered on the books of the distillery by the owner or manager under the supervision of the gauger. This arrangement gives to the owner a faithful accounting of the product of the distillery and secures to him a fair division of the profits with a minimum of personal supervision and inspection.

During the fiscal year ended June 30, 1907, there was collected as taxes on spirits removed for domestic consumption the sum of ₱1,681,419, as against ₱1,303,573.04 during the previous fiscal year. The gain in tax collections during the fiscal year 1907, as compared with those of 1906, was ₱377,845.96, which represents an increase in the output of distilleries of 1,889,229 proof liters during the fiscal year 1907. This increase does not include the export to foreign countries of 2,464 proof liters of spirits which, of course, paid no internal-revenue tax.

Fermented liquors.—During the fiscal year ended June 30, 1907, there was collected as taxes on beer removed for domestic consumption the sum of ₱122,390 as compared with ₱121,158.40 during the fiscal year 1906. The increase in collections amounted to the sum of ₱1,231.60, representing an increased output of 30,790 gauge liters of beer, not including 878 liters of domestic beer which, having been exported to foreign countries, paid no tax. German and American beers are imported in small quantities, but the price at which they must be sold precludes their entering into serious competition with the local product.

Leaf tobacco.—Not only has there been a great reduction in the quantity of leaf tobacco fit for wrappers, but the quality of the leaf has to some extent deteriorated. The falling off in quantity and quality of leaf tobacco is largely due to lack of care in selecting seeds for planting and to the refusal of the planter to cut back the plant to secure fewer but larger, finer, and better leaves. Many of the planters cure their tobacco by stringing it on sticks and exposing it to the sun. The curing of the tobacco by this method is imperfect and the leaf is greatly damaged by stringing it on "palitos." The stock of seasoned leaf fit for wrappers is now so depleted that manufacturers are forced to use comparatively green tobacco. In consequence, Philippine tobacco, like Philippine abaca, has begun to lose its reputation, and the tobacco planter, unless he changes his ways, may expect in the no distant future to reap in diminished prices the reward of careless and negligent farming. The deterioration in the kind, size, and quality of the domestic leaf has greatly exercised the manufacturers of tobacco and they are now agitating the formation of an association to recommend to the legislature laws and measures which, by encouraging better methods of cultivating and curing tobacco, will secure a larger production of "wrappers" and the development of a better and finer

grade of tobacco. Certain amendments to the internal-revenue regulation and premiums offered by the government to the small farmers of Cagayan, Isabela, and La Union for the largest number of marketable leaves per hectare, for the best sorted leaves on the basis of size, coloring and quality, and for the best cured pressed and packed leaves, it is thought will bring about in the most important tobacco producing provinces such a reformation of the methods of cultivating the plant and curing and packing the leaf as will definitely restore to Philippine tobacco its former reputation for excellence.

Manufactured tobacco.—On chewing and smoking tobacco, exclusive of cigars and cigarettes, there was collected during the fiscal year 1907, ₱106,287.54, as compared with ₱120,695.25, for the fiscal year immediately preceding. This represents a loss in revenue of ₱14,407.71, and a decrease in output from the various factories of 30,016 kilograms of chewing and smoking tobacco not manufactured into cigars or cigarettes.

Seventy-five thousand four hundred and forty-six kilograms of smoking tobacco were exported to foreign countries and paid no tax. The quantity of such smoking tobacco exported during the fiscal years 1906 and 1907, and during the first year's operation of the law, together with the countries to which the same was exported, is shown by the following table, viz:

Country to which exported.	Total exports fiscal year—		Total exports during first year's operation of law.
	1907.	1906.	
	<i>Kilograms.</i>	<i>Kilograms.</i>	<i>Kilograms.</i>
Gibraltar.....	55,201	28,169	.....
Canary Islands.....	8,280	1,840	.....
High seas.....	7,191	5,676	.....
Italy.....	1,840	1,840	.....
China.....	1,290	1,497	1,958
England.....	498	.....	2,320
Morocco.....	460	.....	.....
Germany.....	418	3	.....
India.....	194	108	.....
Straits Settlements.....	36	.....	2,814
Central Africa.....	23	.....	.....
Spain.....	8	1,840	7,949
New Guinea.....	4	.....	.....
Indo-China.....	3	.....	.....
Africa.....	.....	18,400	.....
Egypt.....	.....	6	.....
United States.....	.....	1	.....
Japan.....	.....	.....	3
Total.....	75,446	59,380	15,044

Cigars.—The internal-revenue collections on manufactured cigars required for domestic consumption during the fiscal year 1907 amounted to ₱189,850.57, an increase of ₱7,851.96 over the collections for the fiscal year 1906. One hundred and seventeen million seven hundred and sixty-six thousand six hundred and sixty cigars, tax free, were exported to foreign countries during the fiscal year 1907, as compared with 94,341,542 for the preceding fiscal year.

The following table shows the countries to which such cigars were exported, the total exports to each country for the fiscal years 1906 and 1907, and a statement of the exports during the first year's operation of the law, to wit:

Country to which exported.	Total exports fiscal year—		Total exports during first year's operation of law.
	1907.	1906.	
China.....	52,239,068	41,277,617	49,735,660
England.....	11,105,243	9,956,576	5,258,583
Australia.....	10,428,046	11,200,571	6,059,808
Straits Settlements.....	8,456,861	6,308,658	7,857,821
Spain.....	6,267,708	3,115,290	3,230,170
Japan.....	4,778,686	539,615	584,727
India.....	4,203,799	4,291,576	1,779,614
France.....	3,296,605	3,640,900	1,875,000
High seas.....	3,039,680	3,130,419	862,782
Germany.....	2,447,087	3,579,465	747,007
South America.....	1,946,000	1,553,100	752,137
South Africa.....	1,364,932		
Canada.....	1,216,500	522,600	116,153
New Zealand.....	802,426	672,649	131,716
Java.....	768,175	226,400	476,167
Denmark.....	587,350	1,199,080	
Indo-China.....	554,131	256,449	502,910
Austria.....	515,000		
Italy.....	489,250	744,050	273,570
Gibraltar.....	463,500	600,150	
Siara.....	460,275		
Holland.....	428,600	208,500	55,000
Scotland.....	360,070	5,025	19,700
Korea.....	306,075	121,130	16,296
Belgium.....	291,990	74,675	25,500
Malta.....	285,250		
Canary Islands.....	220,000	330,000	
Honolulu.....	156,975	202,030	144,500
United States.....	82,175	231,206	167,693
Portugal.....	37,300		
Egypt.....	37,000	32,500	43,050
Morocco.....	30,000		
Guam.....	28,100	22,000	
New Guinea.....	23,509		
Arabia.....	21,475		
North Africa.....	10,850		
Samoa.....	10,000		
Persia.....	5,000		5,000
Switzerland.....	4,375	318,629	82,175
East Africa.....	3,125		
Central Africa.....	1,600		
Siberia.....	750		
Africa.....		162,632	455,391
Russia.....		11,280	
Guatemala.....		6,000	
Total.....	117,766,660	94,341,542	81,258,130

The following comparative table shows for the first year's operation of the law and for the fiscal years 1906 and 1907 the number of cigars manufactured and consumed in the Philippine Islands, the number manufactured and exported, and the grand total manufactured whether for export or local consumption:

Year.	Cigars manufactured for—		Total.
	Consumption in the Philippine Islands.	Export.	
First year's operation of law.....	69,652,820	81,258,130	150,910,950
Fiscal year ended June 30, 1906.....	74,184,537	94,341,542	168,526,079
Fiscal year ended June 30, 1907.....	79,476,459	117,766,660	197,243,119

From the above it will be noted that there was an increase in exports to China, England, Straits Settlements, Spain, Japan, South America, South Africa, Canada, New Zealand, Java, Indo-China, Austria, Siam, Holland, Scotland, Korea, Belgium, Malta, Portugal, Egypt, Morocco, Guam, New Guinea, Arabia, North Africa, Samoa Island, and Persia, and a decided falling off in the exports of cigars to Australia, France, Germany, Denmark, Italy, Gibraltar, Canary Islands, the United States, and Switzerland. China continues to be the best customer for Philippine cigars.

Cigarettes.—The collections on cigarettes removed from the factories for domestic consumption during the fiscal year 1907 amounted to the sum of ₱2,360,485.49, an increase of ₱2,802.35 over the collections for the fiscal year 1906, which were ₱2,357,683.14.

The following table shows the number of cigarettes which were exported to foreign countries and paid no tax during the first year's operation of the law and the fiscal years 1906 and 1907:

Country to which exported.	Total exports for fiscal year—		Total exports during first year's operation of law. ^a
	1907.	1906.	
China.....	152,506,287	18,347,177	8,924,655
Straits Settlements.....	1,737,100	705,336	666,990
Siam.....	1,567,500	.....	.....
India.....	675,654	163,450	511,820
High seas.....	562,500	622,449	245,341
England.....	307,682	25,960	697,194
Korea.....	240,000	155,250	.....
Guam.....	210,000	165,000	159,700
Australia.....	120,335	97,278	263,528
Belgium.....	92,000	22,500	.....
Indo-China.....	91,904	240,280	.....
New Guinea.....	91,750	.....	.....
Germany.....	59,500	56,062	.....
South Africa.....	40,000	.....	.....
Japan.....	20,548	17,828	113,816
Spain.....	9,269	54,400	1,231,325
United States.....	4,500	135,984	191,916
New Zealand.....	4,200	.....	.....
France.....	3,000	100,000	1,040,000
Holland.....	3,000	.....	.....
Gibraltar.....	2,500	.....	.....
Denmark.....	575	.....	.....
Java.....	.....	85,500	27,785
South America.....	.....	63,750	.....
Switzerland.....	.....	4,200	821,430
Siberia.....	.....	450	.....
Canada.....	.....	.....	14,765
Total.....	158,349,804	21,062,844	14,910,265

The total number of cigarettes consumed in the Philippines and exported to foreign countries during the first year's operation of the law and during the fiscal years 1906 and 1907 was as follows:

Year.	Cigarettes manufactured for—		Total.
	Consumption in the Philippine Islands.	Export.	
First year's operation of law	2,964,441,500	14,910,265	2,979,351,855
Fiscal year ended June 30, 1906	3,509,038,750	21,062,844	3,530,101,594
Fiscal year ended June 30, 1907	3,509,999,575	158,349,804	3,668,349,379

There was a very decided gain in the exports of cigarettes to China, the Straits Settlements, Siam, India, and England, and a loss of about 150,000 in the exports to Indo-China. The gain in cigarettes shipped to foreign countries during the fiscal year 1907 was about 138,000,000.

MATCHES.

The taxes collected by the bureau of internal revenue on matches during the fiscal year just ended amounted to ₱275,656.91, as compared with ₱243,035.93 for the fiscal year immediately preceding. Thirty-eight per cent of the matches required for local consumption were imported from Japan; the remaining 62 per cent were of domestic manufacture. During the fiscal year 1906 Japan supplied 42 per cent of the trade and the Philippine Match Company, a local concern, 58 per cent.

LICENSE TAXES.

Dealers in alcohol and tobacco products.—Dealers in alcohol and tobacco products paid during the fiscal year covered by this report license taxes amounting to the sum of ₱511,358.68, as compared with ₱494,321.63 for the fiscal year 1906. Of the total amount collected for the fiscal year 1907, 49 per cent was paid by dealers in distilled and manufactured liquors, 33 per cent by dealers in tobacco products, 10 per cent by dealers in beer, and 8 per cent by manufacturers and peddlers of liquors and tobacco.

Merchants, manufacturers, and common carriers.—Merchants, manufacturers, and common carriers paid as a license for doing business a percentage tax on business done amounting to ₱1,374,245.97, as against ₱1,365,392.50 for the fiscal year 1906. Of the amount paid during the fiscal year just ended, 94 per cent was paid by merchants, 5 per cent by manufacturers other than manufacturers of alcohol and tobacco, and 1 per cent by common carriers.

Occupations, trades, and professions.—Occupations, trades, and professions requiring a license paid to the bureau of internal revenue during the fiscal year just ended ₱380,172.72, as compared with ₱308,184.49 during the fiscal year 1906. Of the amount collected during the fiscal year 1907, 67 per cent was paid by proprietors of cockpits, 16 per cent by lawyers, doctors, civil engineers, and surveyors, and 17 per cent by all other occupations, trades, and professions for which a license tax is required by the internal-revenue law.

CEDULAS.

The sale of cédulas or certificates of registration produced during the fiscal year 1907 a revenue of ₱1,919,705 as compared with ₱1,756,777 during the previous fiscal year. The increase in cédula collections was due to an increase of about 2 per cent in the population, to a more careful collection of the tax, and to the payment of many years' accumulated delinquencies by delinquents who wished to qualify as electors in the general elections held for representatives to the assembly in July, 1907.

DOCUMENTARY STAMP TAXES.

The internal-revenue collections from documentary stamp sales during the fiscal year covered by this report amounted to the sum of ₱181,136.96, as compared with ₱166,167.38 for the fiscal year 1906. The collections under this heading for the period covered by this report exceeded those of the previous year by ₱14,969.58.

TAXES ON MINES AND MINING CONCESSIONS.

Under and by virtue of the internal-revenue law a tax is imposed on all mining concessions granted prior to April 11, 1899. Suit was brought by the grantees of a Spanish mining concession for the recovery of amounts paid by him in accordance with the provisions of the internal-revenue law just cited. The lower court sustained the collector of internal revenue in collecting the tax. The supreme court, however, reversed the decision and further collection of taxes imposed on many Spanish mining concessions has been suspended pending the final decision of the matter by the United States Supreme Court.

BANKS, BANKERS, AND INSURANCE COMPANIES.

There was paid during the fiscal year 1907 by banks, on their deposits, capital employed, and circulation a tax of ₱141,606.78, as against ₱155,160.50 during the preceding fiscal year. This decrease in collections for the year 1907 as compared with the year 1906 amounted to ₱13,553.72. Taxes on premiums of insurance companies for the fiscal year just ended amounted to ₱20,599.06, as compared with ₱20,181.18 for the fiscal year 1906.

FOREST PRODUCTS.

The collections on timber and minor products removed from forests and forest reserves amounted to the sum of ₱191,079.79.

SUMMARY OF COLLECTIONS.

The following table shows the taxes collected in the various provinces by the collector of internal revenue during the fiscal year 1907:

Province.	Internal-revenue law of 1904 (act 1189).	Opium law (act 1461).	Weights and measures (act 1519).	Collections made for city of Manila.	Grand total.
Albay.....	P203,634.92	P3,567.81			P207,202.73
Ambos Camarines.....	167,080.74	6,281.89			173,362.63
Antique.....	31,937.43	414.42			32,351.85
Bataan.....	34,663.70	5.00			34,668.70
Batangas.....	94,942.79	383.71			95,326.50
Benguet.....	7,272.09	25.00			7,297.09
Bohol.....	71,790.81	225.00			72,015.81
Bulacan.....	419,447.96	120.00			419,567.96
Cagayan.....	133,469.24	9,468.20			142,927.44
Capiz.....	80,335.41	838.80			81,174.21
Cavite.....	67,577.61	1,907.94			69,485.55
Cebu.....	331,657.84	79,393.81			411,041.65
Ilocos Norte.....	54,360.66	760.58			55,121.24
Ilocos Sur.....	123,593.24	1,507.91			125,101.15
Iloilo.....	280,907.86	39,787.31			320,695.17
Isabela.....	47,143.05	2,312.97			49,456.02
Laguna.....	113,643.78	680.67	P403.55		114,708.90
La Union.....	51,841.15	445.82			52,286.97
Lepanto-Bontoc.....	13,643.13	10.00			13,653.13
Leyte.....	299,234.34	9,257.53			308,491.87
Manila.....	4,984,499.27	356,761.93	5,342.60	P2,668,033.10	8,014,636.90
Marbata.....	19,510.12	55.00			19,565.12
Mindoro.....	17,214.66	45.00			17,259.66
Misamis.....	82,802.09	2,933.05			85,735.14
Moro.....	120,689.14	41,879.67			162,568.81
Negros Occidental.....	123,520.86	1,748.24			125,269.10
Negros Oriental.....	70,206.42	6,121.26			76,327.68
Nueva Ecija.....	51,155.05	145.00			51,300.05
Nueva Vizcaya.....	7,765.86				7,765.86
Palawan.....	10,554.13	60.00			10,614.13
Pampanga.....	272,761.41	2,776.89			275,538.30
Pangasinan.....	298,275.34	6,975.52			305,250.86
Rizal.....	95,807.18	203.14			96,010.32
Romblon.....	25,919.72	946.63			26,866.35
Samar.....	189,885.94	3,771.57			193,657.51
Sorsogon.....	106,116.82	3,134.79			109,251.61
Surigao.....	70,494.82	1,595.45			72,090.27
Tarlac.....	91,068.09	151.23			91,219.32
Tayabas.....	139,020.47	985.27			139,923.74
Zambales.....	26,649.78	2,060.06			28,709.84
Total.....	9,432,095.52	589,621.77	5,746.15	2,668,033.10	12,695,496.54

The following is a comparative statement of the total collections made by the bureau of internal revenue under and by virtue of act No. 1189, known as "The internal-revenue law of nineteen hundred and four," from August 1, 1904, to June 30, 1905, and for the fiscal years 1906 and 1907:

August 1, 1904, to June 30, 1905.....	P5,200,383.95
July 1, 1905, to June 30, 1906.....	8,803,356.91
July 1, 1906, to June 30, 1907.....	9,432,095.52

For further and more complete details of the operations of the bureau of internal revenue, reference is hereby made to the report of the collector of internal revenue which is hereto annexed, made a part hereof, and marked "Exhibit No. 4."

Respectfully submitted.

JAMES F. SMITH,
Acting Secretary of Finance and Justice.

To the PHILIPPINE COMMISSION,
Manila, P. I.

EXHIBIT No. 1.

REPORT OF THE ATTORNEY-GENERAL.

BUREAU OF JUSTICE, Manila, August 8, 1907.

SIR: Complying with the requirements of Executive order No. 33, dated July 19, 1906, I have the honor to submit herewith the annual report of the work performed by the courts and bureau of justice during the fiscal year ended June 30, 1907.

With the enactment of act No. 1527, the appropriation bill for the fiscal year now reported on, the courts were separated therein from the bureau of justice and provided for under the subhead of "judiciary," so that today the bureau of justice consists only of the office of the attorney-general, though for convenience and uniformity of service the attorney-general still appoints clerks of court and other employees under act No. 867 and the "judiciary" disbursements are made through this bureau. This division has brought no changes in the administration of the courts, but is advantageous in this, that it is a logical arrangement and separates expenditures made in the maintenance of the courts from those of the office of the attorney-general, and thus facilitates the compilation of statistics showing the cost of each branch in the administration of justice.

THE WORK OF THE COURTS.

SUPREME COURT.

A comparison of the number of cases pending decision at the close of this last fiscal year with those of the next preceding fiscal year shows that on June 30, 1907, there were 513 civil and 343 criminal, as against 425 civil and 482 criminal cases at the close of the fiscal year ended June 30, 1906.^a

No changes occurred in the personnel of the supreme court during the year. With the close of March the court adjourned for the annual vacation under the provisions of act No. 1598. Justices Carson and Tracey sailed for the United States and Justice Mapa for Europe on leave of absence.

Among the clerical force few changes were made. Two new positions were created to meet the growing needs of the court, one for a Spanish-writing stenographer and the other for a messenger.

The clerk of the supreme court was granted eight months accrued leave in May and will not return to duty until early in 1908.

By resolution of the Commission, dated January 11, 1907, confirmed by act No. 1660, the sum of ₱5,000 was appropriated for the purchase of law books needed for the supreme court library.

Volumes III, IV, V, and VI of the Philippine Reports, in English and Spanish, were published during the year and cover the period from December 2, 1903, to November 22, 1906. Volume VII is almost completed and when that is finished reports of the supreme court will be published up to the end of the last fiscal year.

COURT OF FIRST INSTANCE OF MANILA.

The statistics submitted by the clerk of the court of first instance in Manila show the work performed in said court during the past fiscal year.^b

^a Report of the clerk of the supreme court, showing cases filed, decided, and pending, and applicants for admission to the bar has been omitted and filed in the Bureau of Insular Affairs, War Department.

^b Omitted and filed in the Bureau of Insular Affairs, War Department.

A comparison of these figures with those of the last annual report shows that the volume of civil business dispatched has fallen considerably behind, while the criminal business of the court has been kept well up to date, and that only 59 cases were pending July 1, 1907, as against 125 last year. On June 30, 1906, there were 735 civil, 125 criminal, and 58 customs appeal cases pending, as compared with 1,003 civil, 59 criminal, and 79 customs appeal at the close of the preceding fiscal year. During the past year there were filed 923 civil, 559 criminal, and 30 customs appeal cases, as against 957 civil, 440 criminal, and 23 customs appeal cases for the preceding year. There were only 454 civil and 544 criminal cases decided this past year, as against 536 civil and 381 criminal cases during the preceding year. Only 16 customs appeal cases were decided this past year, as against 23 of the preceding fiscal year.

Particular attention is invited to the large amount of probate business and to the fact that the dispatch of this class of business is necessarily a slow and tedious process, as in many cases the existence of minor heirs and the proper protection of their interests require that such cases be kept in court for years, while in others the parties themselves do not desire partition. Of the 1,003 civil cases pending on June 30, 1907, largely more than half or 560 were probate matters, and to the above fact is largely attributable the apparent failure of the court to expedite the clearing of its civil docket as effectively as its criminal docket. The probate business of all courts of first instance is constantly increasing, as the advantages of procedure under the new code of civil procedure are becoming better understood by the people generally, and for the reasons above stated, while there are frequent hearings and many minor decisions in probate cases, yet they must remain upon the docket of the court until the rights of all parties in interest can be finally adjudicated, and in many cases that can not be done in several years. According to a report of the clerk submitted March 1, 1907, there were pending in this court about 700 probate cases, some of which dated back to October, 1901, and deducting the total pending on July 1, 1907, shows the gratifying result of about 140 probate matters finally disposed of between those two dates.

The collections during the past year decreased to ₱29,954.75 as against ₱40,913.35 collected during the preceding year; but part of the large sum so collected then was for fees due by the city of Manila for past years and not paid until early in 1906.

Few changes have occurred among the court personnel. By the passage of act No. 1546 the office of sheriff of the city of Manila was abolished and that of clerk of court and ex-officio sheriff was created, with an increase in compensation of ₱1,000 per annum. This is a radical departure from the previous system, and I am pleased to state that the result is very satisfactory.

No changes among the court judges have taken place, except the temporary assignment of Judge Charles S. Lobingier on April 1, 1907, to special duty with the committee appointed to compile and codify the laws of the islands, and of Judge Charles H. Smith, one of the judges at large, to Manila, where he continued to hold sessions throughout the regular court vacation.

COURTS OF FIRST INSTANCE IN THE PROVINCES.

The annual reports submitted by the various clerks of courts of first instance outside the city of Manila have been carefully tabulated by this office and are contained in a table.^a

In the table forwarded with the preceding annual report no figures were given of the work in the Cotabato court, as it was impossible to secure the same in time. This fact accounts for the slight difference between the totals of cases pending on June 30, 1906, as contained in the last year's report and those totals as now reported.

A comparison of the two reports will show that on July 1, 1906, there were pending in the courts outside the city of Manila 2,557 civil and 1,271 criminal cases, as against 2,991 civil and 1,198 criminal cases on June 30, 1907. This does not mean that the civil work, as a rule, received less attention this year than during the preceding year, but that the civil business is gradually increasing, while the criminal business is decreasing. Thus we see that during the fiscal year 1906 there were 2,052 civil and 3,888 criminal cases filed, as against 2,557 civil and 3,340 criminal cases filed this past year, or an increase of 505 civil and a decrease of 548 criminal cases. During the fiscal year 1906 there

^a Omitted and filed in the Bureau of Insular Affairs, War Department.

were 1,225 civil cases decided and 770 dismissed, a total of 1,995 disposed of, while in 1907 there were 1,316 civil cases decided and 807 dismissed, a total of 2,123 disposed of, an increase of 128 cases. In the criminal business in the fiscal year 1906 there were 2,280 cases decided and 1,922 dismissed, a total of 4,202, and in 1907 there were 2,393 decided and 1,620 dismissed, a total of 3,413. The number of cases actually tried is thus shown to be over 100 cases more for the past fiscal year, and the number dismissed 900 less, indicating clearly that the provincial fiscals are exercising better judgment in filing cases and paying more attention to the preparation of criminal cases after they are filed.

During the past fiscal year this office recommended to the honorable secretary of finance and justice that act No. 867 be so amended as to detach the province of Union from the third judicial district and make it a part of the mountain district, and that the province of Sorsogon be taken from the eighth and annexed to the fifteenth judicial district. An examination of the above table will show that the third and eighth districts have each a very large amount of work, while the work in the fifteenth and mountain districts is unusually light. It is true that the judges of these last-named districts spend much of their time in traveling, but if Sorsogon Province be annexed to the fifteenth judicial district it will be found that the additional travel of that judge will rarely be more than two days in a year, and he will thus be able to do work which the judge of the eighth district is unable to perform by reason of the large number of cases in the three provinces now in his district. The same may be said in favor of taking Union Province out of the third district and making it a part of the mountain district. It is desirable that these recommendations be made effective by the necessary legislation at an early date.

The work of the judicial districts in general is in good condition, and with the criminal work well in hand the judges will no doubt devote more of their time the coming year to civil cases. On account of the immense amount of work in the eighth judicial district it was necessary to have one of the judges at large assist the regular district judge for more than six months of the past year.

The amount of money collected for fees and fines is somewhat larger than in the preceding year, being ₱181,654.72 as against ₱157,685.85 for the fiscal year 1906. Adding the Manila collections to the provincial for the past year the total amounts to ₱211,609.47 as against ₱198,599.20 for the preceding year. These collections have been abnormally large, owing to the fact that under the auditor's rulings many provinces have been required to pay money owed by them to the courts since the establishment of civil government.

There were few changes in the personnel of the judiciary. Judge Paul W. Linebarger, of the seventh judicial district, resigned September 30, 1906, and the vacancy was filled by the transfer of Judge John S. Powell from the fourteenth to the seventh district, and the appointment of the Hon. John H. Springer to the fourteenth judicial district, effective October 1, 1906. Judge Springer, prior to this appointment, was attorney for the Moro Province.

Judge Charles H. Burritt of the mountain judicial district resigned on October 31, 1906, and the vacancy was filled by the appointment of the former fiscal of the district, Hon. Percy M. Molr, who had resigned his office as fiscal and was in the United States at the time of his appointment. He returned to the islands on March 12, 1907, and took the oath of office on the same day.

The Hon. Newton W. Gilbert, a Member of Congress from the State of Indiana, appointed judge at large of the court of first instance, arrived in Manila on September 11, 1906, and immediately assumed the duties of his office.

At the beginning of the regular court vacation on May 1, a number of the judges took advantage of their five months' leave and departed from the islands to spend their vacations in the United States. Those who have gone on leave are Judge Albert E. McCabe, of the first judicial district; Judge James C. Jenkins, of the third judicial district; Judge Estanislao Yusay, of the fifth judicial district; Judge Grant T. Trent, of the eighth judicial district; Judge Charles S. Lobingier, of the city of Manila, and Judge José C. Abreu, of the fifteenth judicial district. The absence of these officials necessitated the detail of other judges to the districts named, and at present the following temporary assignments of other judges are in effect: Hon. P. M. Molr, judge of the mountain district, to the third judicial district; Hon. Mariano Cul, judge at large, to the fifth judicial district; Hon. Charles H. Smith, judge at large, to the eighth judicial district, and Hon. Newton W. Gilbert, judge at large, to the Manila court

in place of Judge Lobingier, who by special action of the Commission did not go to the United States on leave until July 14, 1907.

Few changes have been made in the clerical personnel of the courts, and as a rule the service has been very satisfactory and shows a steady improvement, notwithstanding the fact that the clerks of court of first instance at Ilollo, Cagayan de Misamis, and Dumaguete, Negros Oriental, were dismissed from the service for cause. These vacancies were immediately filled from the civil service register.

With settled conditions and the increase in the volume of civil business it is no longer practicable to keep the work up to date by the employment of the chief escribientes (expert typewriters who take down the testimony in court directly on the typewriter) and they are gradually being replaced by stenographers. A number of young Filipinos are now holding such positions and their work is giving general satisfaction in the districts where they are employed.

PROVINCIAL FISCALS.

In general the work of the provincial fiscals has been highly satisfactory. Prosecutions of criminal cases have been speedy and vigorous and the criminal dockets of all the courts have been free of congestion. In addition to their court work and judicial investigations they have a large amount of purely local work to perform in rendering legal advice and opinions to the officers of the provincial and municipal governments and to district health officers in their respective provinces. Under recent directions issued to expedite the registration of title to all provincial and municipal property their labors will be materially increased this coming year.

With the passing of time and the return of peaceful days conditions have become so settled that closer supervision can now be kept by this office over the work of the provincial fiscals than was formerly practicable. Soon after civil government was established the office of the attorney-general had, among its legal force, one supervisor of fiscals and one deputy supervisor of fiscals, whose prescribed duties were to supervise the work of the various provincial fiscals. Conditions, however, did not permit their performing this duty in the manner intended, and instead of supervising the work of the fiscals they became the leading prosecuting officers of the insular government. Meanwhile the native fiscals became more familiar with American court procedure, and direct supervision over their work accordingly became less necessary, so that in 1905 the office of the attorney-general was reorganized, and the positions of supervisor and deputy supervisor of fiscals abolished. It is still sometimes advisable to have an American attorney from this office assist the provincial fiscal in the prosecution of important criminal cases, but not so frequently as in the earlier days of civil government.

To reduce expenditures from provincial funds in some of the smaller provinces it has become necessary to abolish the position of fiscal and to assign his duties to the fiscal of an adjoining province, the interested provinces being required to bear their pro rata share of the salary and expenses of the fiscal for the two provinces. Thus the position of fiscal for Isabela Province has been abolished and the duties imposed upon that of Cagayan Province for both provinces, and in the same manner the provinces of Tarlac and Nueva Ecija, of Bulacan and Bataan, of Capiz and Romblon, and of Surigao and Misamis have been combined with one fiscal for the two provinces. Up to the close of the fiscal year the fiscal of Union was also fiscal of Zambales, but the work in the latter province was so light that act No. 1644 was passed taking Zambales out of the combination and making it the duty of the attorney-general to assign one of the assistant attorneys in his office to perform the court work of the fiscal for that province. This office also takes charge of all the work pertaining to the office of fiscal in the province of Palawan and assigns one of the assistant attorneys to attend all court sessions at Puerto Princesa and Cuyo, in said province.

THE JUSTICE OF THE PEACE COURTS.

Of the 620 justices in the islands only 91 submitted the annual report required by section 77 of act No. 136, and a compilation of these 91 reports shows figures for the calendar year 1906.*

* Omitted and filed in the Bureau of Insular Affairs, War Department.

These figures are of little value as a guide to indicate the work that has been actually done by the more than 600 justices, but as these officials are changed frequently it has been practically impossible to secure more reports.

The passage of act No. 1627, on March 30, 1907, has brought about many important changes in these courts, which became effective on July 1, and I desire to reaffirm my recommendations on that subject as embodied in my letter to the Commission dated May 4, 1907, and again invite attention thereto. Provision is now made for the transfer of justices to larger municipalities when vacancies occur, and this will be a strong incentive for good work. The director of education is now required to certify to the governor-general the names of all persons, otherwise qualified, who complete the course for magistrates at the Philippine Normal School or university and who signify their willingness to serve as justices. Many good and intelligent men will now doubtless be obtainable for this branch of the judiciary under these provisions.

Another important change has been made by placing justices under the direct supervision of the respective judges of the courts of first instance, to whom they must look for legal advice in matters pertaining to their courts. Heretofore no provision was made by which justices could apply for legal advice on matters of which they were completely ignorant, and no doubt many of the mistakes made resulted from this lack of knowledge rather than wrongful intention. The attorney-general was always ready to assist inquiring justices with advice, so far as possible, through the executive bureau, which usually answered their questions when submitted to that office and occasionally referred the same to this office. The change has relieved both bureaus of a considerable amount of work, but it is feared will not lead to uniformity of procedure. By the passage of this act the annual reports required by section 77 of act No. 136 are no longer to be made, and in lieu thereof the justice's reports are forwarded to the judge of the district who, in turn, compiles them and, with comment and recommendation, transmits his report to the secretary of finance and justice.

An explanation showing in brief the reasons for the changes made in act No. 1627 has been published by Judge Charles S. Lobingier, of the court of first instance for the city of Manila, and as that document has been published by the Government and is easily available for study, this office will make no further comment on said act, except as to section 28 thereof, which places on the bureau of justice the work of supplying the justices with court supplies.

It is impossible for the attorney-general to supervise the expenditures of supplies made by more than 600 justices scattered throughout the entire archipelago, and to secure an effective and economical working of the law such supervision should be had. Owing to the fact that act No. 1627 was not published until late in June, and that no money was available until July 29 for this purpose, it has not been possible as yet to furnish justices with the forms, dockets, or supplies provided for in said act, but the work of securing the printing and shipment will be expedited in every possible way.

By the enactment of act No. 1546, the two offices of justice of the peace for the city of Manila were consolidated, and on December 31, 1906, Mr. Pedro Ricafort turned his office over to Mr. José M. Quintero, who was appointed justice of the peace for Manila.

- With only 100 cases pending at the close of the fiscal year it will be seen that the work of the court has been kept up and is in very good condition.

COURT OF LAND REGISTRATION.

No changes in personnel among the judges of this court occurred, and, as during the preceding fiscal year, Judges James Ross and Mariano Cui, two of the judges at large, were on duty almost continuously with this court. It is clear that it is impossible for two judges to keep abreast of the work, and the Commission, by legislation, has relieved them of some of it. Act No. 1648, enacted May 16, 1907, and effective July 1, 1907, amended the land registration act by providing that judges of the courts of first instance outside of the city of Manila shall, on order in writing by the secretary of finance and justice, hear and make findings of fact in land registration cases at the times and places prescribed by law for holding regular or special terms of the court of first instance in their respective judicial districts. After hearing the testimony the judge is required to forward all papers and documents filed in connection therewith to the clerk of the court of land registration in Manila, who in turn transmits the record to the judge to whom the case has been assigned for decision. Under this provision, Judges Abreu, Avencena, McCabe, Moir, Norris,

Powell, and Springer have been authorized to hear land registration cases and make findings of fact therein.

Some changes were also made in the schedule of fees, the most important being that the Government has taken upon itself the costs incident to the publication in newspapers of applications for registration of title, instead of having same paid by the applicants as heretofore. It is estimated that this item of expenditure will reach the sum of ₱25,000 during the fiscal year.

The method of appointing employees in this court has been changed. Heretofore the clerk of the court was appointed by the Commission and all subordinate employees by the clerk. Under the present law the clerk and the assistant clerk are appointed by the attorney-general, with the approval of the secretary of finance and justice, and placed under the control and supervision of the senior judge of the court, who may remove them from office for cause. All other employees of the court are appointed by the clerk, with the approval of the attorney-general.

A large vault for the safe-keeping of its records has been built for this court at a cost of ₱5,000.

An examination of the report submitted by the clerk of this court shows that during the past year there were 474 sessions held, as against 292 in the preceding year, 214 being in Manila and 260 in the provinces, while the year before only 189 sessions were held in Manila and 103 in the provinces. There were 233 cases disposed of, as against 713 the year before, and at the close of this fiscal year there were 1,443 cases pending, as against 1,058 cases the year before.

The following is the report submitted by the clerk of the court:

There were filed during the year 1,059 applications. Up to July 1, 1906, the total number filed since the organization of the court was 2,467, while the total on July 1 of this year amounted to 3,526, the average per month being about 88 cases, against 76 of the year preceding, filed as follows:

Albay	3	Misamis	0
Ambos Camarines	52	Mindoro	2
Antique	1	Moro	64
Bataan	0	Negros Occidental	64
Batangas	20	Negros Oriental	18
Benguet	0	Nueva Ecija	50
Bohol	0	Pampanga	64
Bulacan	54	Pangasinan	21
Cagayan	11	Palawan	0
Capiz	1	Rizal	63
Cavite	7	Romblon	4
Cebu	46	Samar	3
Ilocos Norte	2	Sorsogon	7
Ilocos Sur	8	Surigao	0
Iloilo	54	Tarlac	38
Isabela	0	Tayabas	29
Laguna	32	Union	2
Leyte	51	Zambales	17
Manila	270		
Masbate	1	Total	1,059

The value of the property represented in the above applications amounts to over ₱10,000,000, making a total value as represented in all applications received since the organization of the court of about ₱40,000,000.

Following is a statement of the cases considered by the court for the year:

Number of sessions:

In Manila	214
In provinces	260
Total	474

Cases decreed:

Final	201
Pending appeal	9
Appealed	1

Cases denied:	
Final.....	4
Pending appeal.....	1
Appealed.....	0
Cases dismissed.....	17
Cases pending June 30, 1907.....	1,443
Total.....	1,676
Cases previously disposed of.....	1,850
Total cases filed since organization of court.....	3,526
Cases opposed.....	87
Written oppositions.....	113
Persons included in.....	199

In addition to the cases decided, most of the 1,443 pending cases were set for hearing, but were continued pending further evidence of title, amendments to application, plans, etc., and of these so continued 826 were filed within the period covered by this report.

It is thought that under the recent act of the Commission amending the land registration act, by providing for the taking of evidence and the making of findings of fact in certain cases by judges of the courts of first instance, the court will be able to dispose of pending cases in the near future.

The status of registers of deeds and examiners of titles, with the exception of the province of Cagayan and the city of Manila, is the same as last year. The office of the register of deeds for the province of Cagayan, by resolution of the Commission dated August 31, 1906, was declared vacant and the duties thereof were assumed by the provincial treasurer September 15, 1906. In the city of Manila, the register of deeds, Mr. Claudio Gabriel, and the examiner of titles, Aguedo Velarde, resigned and were succeeded by Mr. Joaquin Jaramillo and Mr. Rafael Corpus, respectively. There remains therefore throughout the provinces and in the city of Manila 8 regularly appointed registers of deeds, 28 provincial treasurers acting as registers of deeds, and 28 provincial fiscals acting as examiners of titles, all of whom are fully equipped with the necessary books and forms and are in every way prepared to instruct and assist the people in presenting their applications to the court.

OFFICE OF THE ATTORNEY-GENERAL.

The following figures show in brief the general work performed in the attorney-general's office during the fiscal year just closed:

Written opinions rendered by the attorney-general to the chief executive, heads of the four departments, chiefs of bureaus, and other officials.....	250
Cases in the supreme court in which this office presented briefs and arguments.....	283
Cases in the supreme court in which this office appeared by motion, etc....	19
Cases in the court of land registration in which this office appeared and opposed registration.....	202
Cases in the court of land registration examined by this office, but no opposition presented.....	142
Official communications written by or receiving the attention of the office and disposed of, other than opinions, court cases, appointments, etc....	5,184
Requisitions made on the bureau of printing for printing and binding.....	370
Requisitions made on the bureau of supply for office fixtures and supplies..	18
New appointments made in the bureau of justice and judiciary, by the Commission or other authority than the attorney-general.....	3
New permanent appointments made in the bureau of justice and judiciary, by the attorney-general.....	37
Temporary appointments made in the bureau of justice and judiciary, by the attorney-general.....	8
Promotions made in the bureau of justice and judiciary, by the Commission or authority other than the attorney-general.....	9
Promotions made in the bureau of justice and judiciary, by the attorney-general.....	36
Transfers from the bureau of justice and judiciary.....	3

Transfers within the bureau of justice and judiciary-----	3
Appointments revoked, terminated, etc-----	4
Resignations in bureau of justice and judiciary-----	35
Dismissals in bureau of justice and judiciary-----	3
Positions abolished-----	2
Reductions in salary-----	2

The changes in the personnel of the office during the year have been few. On July 15, 1906, Hon. Lebbeus R. Wilfley resigned the position of attorney-general to accept an appointment as judge of the United States Court in China, and on the following day the undersigned was appointed attorney-general. The office of solicitor-general, made vacant by this change, has not been filled to date.

Mr. Arthur Bassett, an assistant attorney in the bureau, resigned his position on September 13, 1906, to accept appointment as district attorney for the United States Court in China.

Mr. Richard Campbell also resigned his position as assistant attorney in the office to accept an appointment as attorney for the Moro Province.

Mr. Juan Medina, one of the assistant prosecuting attorneys for the city of Manila, was transferred to this office as assistant attorney on November 1, 1906, vice Miss Floy V. Gilmore whose resignation became effective October 24, 1906.

ADMINISTRATION OF ESTATES OF DECEASED EMPLOYEES.

The number of deaths among civil government employees was lower than that of any preceding year since the administration of the estates of civil government employees was undertaken by the insular government. The report does not include the estates which reached a value of ₱1,500, as, under the law, they must be administered by the courts. There can be no question of the vast amount of good this method of aiding in the settlement of small estates has done. Not only does this office endeavor to expedite the closing of estates in its charge, but, when necessary, assistance is rendered to the widows and orphans left behind toward securing transportation to the United States by army transport, in order that they may not be so dependent when they reach their old homes. The military authorities have aided in every possible way in this respect and have been of great assistance by furnishing such transportation when requested.

The low death rate is no doubt due to the improved health conditions which have prevailed during the past year, and no disastrous typhoons have visited the islands. To the latter cause was due a number of deaths by drowning in the fiscal year 1906, and thus we have had only 31 deaths during the last fiscal year as against 44 in the preceding year.

There are still 15 old estates pending settlement on account of our inability to locate the relatives of decedents. These estates will escheat to the government as provided in sections 750-752 of act No. 190, and are now being advertised in the Manila newspapers as provided in said act.

The names of said decedents, places and dates of death, are as follows:

Names of decedents.	Date.	Place of death.
J. H. Reuman-----	May 3, 1905	Benguet Road.
Hernelindo Fernandez-----	Apr. 10, 1905	Do.
George Reichel-----	.....do-----	Do.
Oced E. Hendrix-----	Mar. 10, 1905	Dapitan, Mind.
J. T. McCluskey-----	Apr. 2, 1903	Benguet Road.
J. L. Tate-----	Dec. 25, 1904	Do.
J. D. Turner-----	Dec. 12, 1904	Manila.
George Gardner-----	Sept. 26, 1905	Do.
James D. Garvey-----	Feb. 24, 1906	Do.
John White-----	Apr. 18, 1902	Do.
Harry W. Bush-----	Sept. 10, 1904	Do.
John McCullough-----	Mar. 2, 1904	Zamboanga, Mind.
John Stein-----	Oct. 21, 1904	Benguet Road.
Arthur O. Decker-----	Aug. 22, 1904	Do.
Fred. H. Hamilton-----	.....do-----	Do.

The balance in the hands of the attorney-general as administrator belonging to said estates is ₱3,217.08.

The total amount received during the fiscal year 1907 on account of estates was ₱20,183.71.

The total amount expended and paid to relatives and heirs of decedents during the same period was ₱18,717.44.

The balance on hand from all sources to the credit of estates pending settlement on June 30, 1907, is ₱10,021.61.

By resolution of the Philippine Commission, dated December 7, 1906, the estates of employees who died in the service before their two years' contract was completed are allowed transportation expenses incurred by decedent while proceeding from the United States to Manila. The passage of this resolution has aided materially in closing estates of employees who left no funds to pay medical and funeral expenses and bills of a like urgent character which would have had to remain unsettled but for the return of travel expenses incurred on entering the government service.

A rate of \$50 has been made with commercial companies for transportation of bodies from Manila to New York, which is much cheaper than shipping via San Francisco and by rail across the United States.

In a number of instances the estates of deceased employees have exceeded ₱1,500, the maximum jurisdiction of the bureau, and in such cases an administrator was appointed by the court of first instance where the death occurred. In all such cases this office takes charge of the estate until the amount of same can be determined and the administrator be appointed by the court, and renders all possible assistance to the administrator in the shipment of the body and personal effects to the heirs.

The names of employees who died during the fiscal year 1907, dates of death, and the bureaus in which employed, are as follows:

Names of decedents.	Date of death.	Name of bureau.
J. M. Miller.....	July 2, 1906	Bureau of education.
Wm. H. Hart.....	July 4, 1906	Department of engineering and public works.
Patrick A. Galvin.....	July 8, 1906	Department of lands.
John Gorham.....	July 10, 1906	Bureau of public works.
De Forest M. Gunnison.....	July 12, 1906	Bureau of constabulary.
James L. Fiske (administrator appointed by court).....	July 21, 1906	Bureau of education.
J. G. Worswick.....	do	Bureau of constabulary.
Marvin W. Warren.....	July 31, 1906	Bureau of posts.
Thos. G. Vincent.....	Aug. 8, 1906	Bureau of navigation.
Percy E. Wagar.....	Aug. 12, 1906	Bureau of treasury.
Sherman Lake.....	Aug. 10, 1906	Bureau of cold storage.
Arthur T. Williams.....	Aug. 9, 1906	Bureau of internal revenue.
John McBride.....	July 21, 1906	Bureau of constabulary.
George B. Hart.....	Apr. 16, 1906	Bureau of customs.
Edward R. King.....	Oct. 19, 1906	Bureau of posts.
George Pfeiffer.....	Oct. 23, 1906	Bureau of customs.
George V. Hahn.....	Nov. 6, 1906	Bureau of education.
Max Schnitzlein.....	Dec. 31, 1906	Bureau of health.
James L. Davis (administrator appointed by court).....	Dec. 25, 1906	Bureau of education.
Chas. Reim.....	Dec. 31, 1906	Bureau of posts.
Levi Mickle.....	Jan. 6, 1907	Bureau of Manila, F. D.
Harry N. Ferris.....	Jan. 18, 1907	Bureau of education.
Herbert R. Spencer.....	Dec. 23, 1906	Bureau of internal revenue.
Richard B. Davis.....	Feb. 19, 1907	Bureau of education.
Thos. Wm. Little.....	Feb. 24, 1907	City of Manila.
Chas. D. Hart (administrator appointed by court).....	Mar. 2, 1907	Bureau of education.
Jerry Osborn (administrator appointed by court).....	Mar. 25, 1907	Inspector under city engineer, Manila.
James W. Duncan.....	Mar. 30, 1907	Bureau of customs.
Sam. O. Phipps.....	Apr. 19, 1907	Bureau of public works.
N. M. Lingvall.....	May 6, 1907	Bureau of audits.
Wm. T. Butler (administrator appointed by court).....	June 4, 1907	Bureau of constabulary.

Under a recent ruling of the insular auditor no estate is now closed until a certificate is received from the auditor's office showing that deceased was in no way indebted to the insular government.

In closing my report for the fiscal year 1907 I deem the following facts, some of which have been alluded to above, worthy of special mention:

The personnel of the Bureau of Justice for the fiscal year 1906 consisting of the attorney-general, a solicitor-general, assistant attorney-general, and 11 assistant attorneys (14 lawyers), with a total salary list of ₱80,500; whereas the personnel of the bureau for the fiscal year 1907 consisted of attorney-general, assistant attorney-general, and 9 assistant attorneys (11 lawyers), with a total salary list of ₱59,600, a saving of ₱20,900. (There were slight changes

from time to time which preclude an exact statement, but the above figures are a fair statement for comparison.) With this force, in addition to the ordinary duties pertaining to the functions of the attorney-general, the agreement with Messrs. Del Pan, Ortigas, and Fisher for certain legal services incident to the Friar lands (see act No. 1120) has not been renewed, and this office will render the services for which they have heretofore been paid annually ₱11,000; and will also perform the functions of provincial fiscal for the provinces of Palawan, Zambales, and the provinces constituting the mountain district, a saving of say ₱4,000, making a total reduction in the cost of administration of the legal affairs of the government of ₱35,900 in salaries alone.

Respectfully submitted.

GREGORIO ARANETA,
Attorney-General.

THE SECRETARY OF FINANCE AND JUSTICE,
Manila, P. I.

EXHIBIT NO. 2.

REPORT OF THE INSULAR TREASURER.

OFFICE OF THE TREASURER OF THE PHILIPPINE ISLANDS,
Manila, P. I., Oct. 26, 1907.

SIR: I have the honor to transmit herewith my annual report for the fiscal year ended June 30, 1907.

For the benefit of economists and others outside the Philippine Islands who are not familiar with legislation affecting the economic conditions of the islands and who may be interested therein, I have considered it advisable to include as an addenda to this report the act of Congress with reference to the Agricultural Bank and the act of the Commission authorizing the establishment of the Postal Savings Bank and amendments to said act.

• Very respectfully,

FRANK A. BRANAGAN, •
Treasurer Philippine Islands.

The SECRETARY OF FINANCE AND JUSTICE,
Manila, P. I.

SIR: In compliance with Executive order No. 33, dated July 19, 1906, and in accordance with act No. 938 of the Philippine Commission, as amended, I have the honor to submit the following report covering the operations of this Bureau for the fiscal year ended June 30, 1907:

The cash balance on hand at the close of the fiscal year 1906, the receipts, withdrawals, and currency exchanges during the period July 1, 1906, to July 1, 1907, were as follows:

Item.	Philippine currency.	Local currency.
Balance on hand at close of business June 30, 1906.....	P19,392,404.64	Pts. 132,484.23
Receipts during the fiscal year, account of:		
Customs.....	16,264,123.74	-----
Internal revenue.....	5,379,736.30	-----
Miscellaneous (including proceeds of sales of bonds).....	12,968,542.06	-----
City of Manila.....	2,519,939.43	-----
Repayments.....	12,559,084.205	-----
Exchanges of currency.....	46,899,465.96	78,984.22
	96,580,891.685	78,984.22
Total to July 1, 1907.....	115,978,296.325	211,418.45
Withdrawals during the fiscal year, account of:		
Warrants paid.....	48,444,472.42	82,960.00
Exchanges of currency.....	46,915,076.08	82,558.36
	95,359,548.45	145,508.36
Balance on hand at close of business June 30, 1907.....	20,618,747.875	65,910.09
<i>Depository account.</i>		
Balance on hand at close of business June 30, 1906.....	11,217,563.94	1,215.19
Deposits during fiscal year.....	124,136,289.69	-----
Total.....	135,353,853.63	1,215.19
Withdrawals during fiscal year.....	127,441,327.63	1,215.19
Balance on hand at close of business June 30, 1907.....	7,912,526.00	-----
<i>Certificate redemption fund.</i>		
Balance on hand in fund at close of business June 30, 1906.....	14,410,000.00	-----
Certificates issued during fiscal year.....	7,130,708.00	-----
Balance on hand in fund at close of business June 30, 1907.....	21,540,708.00	-----
Total funds in hands of the insular treasurer at the close of business June 30, 1907.....	50,066,981.875	65,910.09

Item.	United States currency.	Philippine currency.	Local cur- rency.
Balance was distributed as follows:			
In treasury vaults.....	\$6,837,783.65	₱9,746,895.05	Pfs. 65,910.00
Certified checks on local banks.....		207,917.57	
In authorized depositories in the United States.....	11,092,760.03		
Deposits in local banks.....		951,831.695	
Special deposits in local banks.....		985,442.84	
Special deposits with authorized depositories in the United States.....	1,656,903.68		
Total.....	19,087,447.39	11,892,087.155	65,910.00

The special deposits above referred to are funds deposited with banks at interest for fixed periods of time, and consist of the following:

In Manila banks.

	Philippine currency.
Postal savings bank funds.....	₱490,000.00
Rizal Monument funds.....	114,939.01
Franchise deposits.....	23,000.00
Fidelity deposits.....	247,530.00
Constabulary pension and retirement fund.....	91,000.00
Assurance fund, act No. 496.....	18,000.00
Conservatory of Music fund.....	973.83
Total.....	985,442.84

In banks in the United States.

	United States currency.
Manila sewer and water funds.....	\$1,617,005.35
Sinking fund, Manila sewer and water bonds.....	39,898.33
Total.....	1,656,903.68

INSULAR DISBURSING OFFICE.

The following is a consolidated statement of the division's transactions during the fiscal year:

Debits.

Bureau credit balances, July 1, 1906.....	₱638,096.23
Receipts by accountable warrants.....	10,815,189.71
Miscellaneous refunds.....	50,394.32
Bureau debit balances, June 30, 1907.....	70,878.41
Total.....	11,574,558.67

Credits.

Bureau debit balances, July 1st, 1906.....	3,607.44
Disbursed during year on vouchers.....	10,929,132.78
Refunds to insular treasury.....	275,286.37
Bureau credit balances, June 30, 1907.....	366,532.08
Total.....	11,574,558.67

The balance due the government was divided as follows:

Bureau debit balances.....	70,878.41
On deposit with insular treasurer.....	137,087.58
Advances authorized by resolutions of the Philippine Commis- sion.....	44,997.42
Partly paid pay roll and cash items.....	113,568.67
Total.....	366,532.08

During the fiscal year the insular disbursing officer paid 26,934 vouchers and issued checks amounting to the sum of ₱11,199,796.06 Philippine currency, an increase of 25 per cent over the previous year.

The following is a statement of disbursements by bureaus:

Account.	Period.	Total number of vouchers.	Amount.
Bureau of agriculture.....	Fiscal year 1907.....	794	₱227,010.87
Bureau of architecture.....	July, 1906.....	1	2.10
Bureau of audits.....	Fiscal year 1907.....	618	333,219.24
Bureau of civil service.....	do.....	79	65,950.56
Bureau of coast and geodetic survey.....	do.....	350	141,313.90
Consulting architect.....	do.....	14	12,018.42
Bureau of customs.....	do.....	782	701,260.55
Congressional relief fund.....	July-January.....	6	360.68
Bureau of education.....	Fiscal year 1907.....	6,963	2,470,706.14
Executive bureau.....	do.....	732	604,941.26
Exposition board.....	July-October.....	4	44.94
Bureau of forestry.....	Fiscal year 1907.....	686	104,098.45
Bureau of health.....	do.....	3,377	718,992.06
Bureau of internal revenue.....	do.....	1,504	534,760.89
Bureau of justice.....	do.....	1,903	871,738.35
Bureau of lands.....	do.....	1,281	421,696.77
Bureau of navigation.....	do.....	1,866	1,211,967.04
Bureau of port works.....	July-March.....	336	614,322.40
Bureau of printing.....	Fiscal year 1907.....	308	253,728.73
Bureau of prisons.....	do.....	1,612	601,644.56
Bureau of public works.....	do.....	2,272	538,481.99
Bureau of science.....	do.....	620	233,938.27
Supervising railway expert.....	August-June.....	152	50,901.85
Bureau of the treasury.....	Fiscal year 1907.....	848	123,229.16
Weather bureau.....	do.....	315	92,743.60
Total.....			10,929,182.78

* Consolidated with bureau of navigation.

The expense of conducting the bureau during the fiscal year was for—

Salaries and wages, fiscal year 1907.....	₱112,419.92
Salaries and wages for prior fiscal years, but paid present fiscal year.....	566.93
Contingent expenses, such as transportation, office supplies, printing, furniture, etc., for present fiscal year.....	8,760.52
For similar contingent expenses incurred during prior fiscal years, but paid during present fiscal year.....	8,458.26
Total.....	130,205.63

There were received during the fiscal year as premiums on sale of drafts in Manila and New York, ₱116,403.12 Philippine currency and ₱608,641.98 as interest on funds deposited in authorized depositaries in the United States.

No interest has been received on deposits of government funds in Manila.

Trust funds are held by the insular treasurer, which he is required by law to invest, and upon which investments (for the present fixed deposits with local banks) interest has been received. The amount so received is not included in the ₱608,641.98 above mentioned.

The insular treasury, in its capacity as a depositary of funds for the United States, the insular government, and for special funds, handles about 450 accounts. The deposits to the credit of these accounts during the fiscal year amounted to ₱124,136,289.69 and the withdrawals to ₱127,441,327.63 Philippine currency and ₱1,215.19 local currency, making a total, with the balance carried over from the preceding fiscal year, of about ₱263,000,000 handled during the year by the depositary.

ASSURANCE FUND, ACT NO. 496.

The assurance fund provided for by section No. 100, of act No. 496, Philippine Commission, was as follows on June 30, 1907:

Balance on hand July 1, 1906.....	₱13,293.60
Received during the fiscal year from fees.....	7,263.77
Received during the fiscal year from interest on time deposits.....	315.00
Total.....	20,872.37

Of this amount ₱9,000 was on deposit at interest with the Manila branch of the International Banking Corporation and ₱9,000 with the Manila branch of the Hongkong and Shanghai Banking Corporation for one year at 3½ per cent per annum.

CERTIFICATES OF INDEBTEDNESS.

On September 1, 1906, the fifth series of the certificates of indebtedness issued September 1, 1905, and amounting to \$1,500,000 United States currency became due, and of this amount \$500,000 United States currency was paid off and a new series (the sixth) amounting to \$1,000,000 was issued to pay the balance. The condition of the gold standard fund is such that when this last series of certificates becomes due September 1, 1907, the entire amount can be paid off without issuing a new series and still have a working balance of more than \$3,000,000 in the fund in New York City.

CITY OF MANILA BONDS.

During the fiscal year just ended the city of Manila issued an additional \$2,000,000 of sewer and water construction bonds making a total issue of \$3,000,000 United States currency issued to date under the act of Congress approved July 1, 1902, and act No. 1323 of the Philippine Commission.

The prices received for the \$2,000,000 of bonds issued were as follows:

	Per \$100.
\$15, 000-----	\$109.10
30, 000-----	109.00
1, 955, 000-----	105.777

The total premium realized on this issue was \$117,005.35 United States currency.

PHILIPPINE POSTAL SAVINGS BANK.

Act No. 1493 of the Philippine Commission enacted May 24, 1906, authorized the establishment of the Philippine Postal Savings Bank under the control and management of the director of posts.

The bank opened for the receipt of deposits, in Manila only, on October 1, 1906. Branch offices were subsequently opened in the provinces.

The amount of deposits of the postal savings bank in the hands of the insular treasurer at the close of the fiscal year was ₱490,000 all of which was invested in accordance with resolutions adopted by the postal savings bank investment board.

The rate of interest paid by the postal savings bank on deposits is 2½ per cent per annum.

The original act made no provision for the loan of any of the bank's funds on real estate, but as the field for such investments was an excellent one, the said act was amended so as to permit such loans to be made under certain conditions and restrictions.

The act authorizing the establishment of this bank and amendments thereto are appended marked Exhibits "B," "C," and "D."

AGRICULTURAL BANK.

An act of Congress approved March 4, 1907, authorized the insular government to guarantee an income of 4 per cent per annum, for a period not to exceed 25 years, to individuals or corporations who may invest capital in an agricultural bank in the Philippine Islands.

Excellent loans secured by property with Torrens title (guaranteed by the Government) can be made at good rates of interest.

Notwithstanding the guaranty and the excellent field for this class of investments, no steps have been taken, so far as this office is aware, toward the establishment of such an institution by local or foreign capital.

The wealth of these islands lies almost wholly in their agricultural resources and the benefits to be derived by the establishment of an agricultural bank to aid in the development of these resources can hardly be overestimated, and it is hoped that within a short time some steps may be taken by capital to establish such a bank.

If no applications for the establishment of such a bank are received within a reasonable time, I recommend that the Philippine Legislature appropriate

₱1,000,000 of the general fund of the government for the founding of a government agricultural bank, to be operated under the control of the insular treasurer, subject to such rules and regulations as it may seem wise to prescribe. The insular treasury, as now organized, with the assistance of the treasurers and other officials of the provinces, can conduct the business of the bank with little or no additional expense except that of printing.

The act as passed by Congress and approved by the President is published as "Exhibit A" of this report.

BANKS AND BANKING.

During the fiscal year the following banks were examined by the bank examiner: Hongkong and Shanghai Banking Corporation, Manila; Hongkong and Shanghai Banking Corporation (subagency), Iloilo; Chartered Bank of India, Australia and China, Manila; Chartered Bank of India, Australia and China (subagency), Cebu; Banco Español-Filipino (branch), Iloilo; Manila Building and Loan Association, Manila; S. Misaka Bank, Manila.

The examination of this latter bank disclosed a condition involving probable loss to the creditors of the bank, and an order was accordingly issued by the governor-general directing the insular treasurer to take charge of the institution and wind up its affairs.

This bank's business was confined solely to the Japanese, and its loans were all made to people of that nationality. The amount of its loans was more than sufficient to pay all claims of creditors, but as such loans were nearly all on single name paper unsecured by collateral, the settlement of the bank's affairs has been most unsatisfactory.

Great difficulty has been experienced by the receiver in finding the parties to whom the loans were made, and in instances when they have been located they are invariably persons of the very poorest and lowest class—carpenters, laborers, peddlers, alleged owners of houses of ill fame, and prostitutes. The bank was a private institution, and the owner was in Japan, where he had gone some months previous to the closing of the institution, leaving his wife in charge. The outlook for the creditors receiving even a very small percentage of their claims is very discouraging.

BANK OF PANGASINAN.

All the creditors and the stockholders of this bank have been paid in full. About ₱900 remains due the bank on account of loans, and as soon as received by the receiver a report of the receivership will be made to the court and a petition presented at the same time for his discharge.

AMERICAN BANK.

Since the last report another dividend of 8 per cent has been paid to the creditors of this institution, making a total of 53 per cent paid in all. It is doubtful if the receiver will be able to pay any further dividends to the creditors of this institution as the remaining assets are practically worthless. Continued efforts will be made to collect as much as possible for the benefit of the creditors.

MUTUAL BENEFIT AND BENEVOLENT ASSOCIATIONS.

Reports from these societies and associations are received periodically in compliance with the provisions of act No. 701 and are carefully examined. Their receipts and expenditures are closely scrutinized in order that the beneficiaries' interests may be properly protected and that the expenditures particularly are not made for purposes contrary to the by-laws of the societies or associations.

Under act No. 52, as amended, the insular treasurer is required to make an examination of every banking institution in the Philippine Islands at least once in every six months. There are now 11 institutions of this character in the islands—in Manila 6, Iloilo 2, Cebu 2, and Zamboanga 1. With the limited force to do the work it has not been possible to comply with the law in so far as semiannual examinations of all banks are concerned. At least two more examiners will be necessary to enable this office to comply with the law in this respect. To make a thorough examination of each bank in Manila requires the services of three men from five to ten days, and of the branch banks in Iloilo and Cebu two men from two to five days.

The business methods and the class of business of oriental banks is radically different from that of banks in the United States and requires not only a technical, but also a practical, knowledge of accounting and also of banking as carried on in this part of the world. The larger part of the business of these banks is foreign exchange, and with their multiplicity of agents and correspondents and the many kinds of currency involved in their exchange transactions the examinations are exceedingly difficult and require much time and labor.

The bank examiner and his assistant are both absent on leave. One will return in November of this year and the other in February of next year. As the bank examiner also has the division of the currency under his charge, the work of which must be kept current, and in addition thereto three banks in process of liquidation, it is obvious that the bank examinations must wait until other work is completed and the examiner has time to visit the banks and make the examinations. To be unable to comply with the law is very unsatisfactory to this office, but there appears to be no remedy other than an increase in the number of examiners.

A comparative consolidated statement of the resources and liabilities of all the commercial banks in the Philippine Islands at the close of business June 30, 1906, and June 30, 1907, is as follows:

Item.	June 30, 1906.	June 30, 1907.	Increase.	Decrease.
RESOURCES.				
Loans and discounts	P8,009,638.14	P7,788,673.26		P220,964.88
Overdrafts (secured)	8,686,819.90	9,833,356.18	P1,134,536.28	
Overdrafts (unsecured)	1,620,971.12	1,035,723.45		585,247.67
Stocks, securities, etc.	151,801.47	98,642.67		53,158.80
Banking house, furniture, and fixtures	153,735.23	169,661.46	15,946.23	
Other real estate and mortgages owned.	364,447.25	528,214.85	163,767.60	
Due from other banks	314,940.03	153,111.67		161,828.36
Due from head office and branches	3,878,336.91	3,081,296.22		847,040.69
Due from agents and correspondents	318,062.26	664,730.81	326,668.55	
Bills of exchange	906,231.26	1,065,238.04	149,006.78	
Cash on hand	4,575,462.40	8,447,611.91	3,872,149.51	
Checks and other cash items	118,738.93	119,800.94	1,062.01	
Profit and loss account	72,178.09	51,835.80		20,342.29
Other resources	1,520,016.97	1,136,798.04		383,218.93
Total	30,703,379.96	34,104,715.30	5,673,136.96	2,271,801.62
LIABILITIES.				
Capital stock	2,500,000.00	2,500,000.00		
Reserve fund	2,425,267.52	2,573,836.16	148,568.64	
Undivided profits	1,502.11	275,596.20	274,094.09	
Bank notes in circulation	1,500,000.00	1,459,265.00		40,735.00
Due to other banks	314,940.03	184,070.33		130,869.70
Due to head office and branches	9,467,444.88	9,079,617.76		387,826.62
Due to agents and correspondents	60,433.61	69,597.72	9,164.11	
Dividends due and unpaid	67,330.54	66,514.54		816.00
Demand deposits	21,131.90	283,872.66	262,740.76	
Time deposits	3,679,975.74	6,078,759.94	2,398,784.20	
Current accounts	9,310,374.67	10,252,513.06	942,138.39	
Savings deposits		566,596.04	566,596.04	
Bills payable (domestic)	8,875.74	11,963.31	3,087.57	
Bills payable (foreign)	18,575.75	15,340.74		3,235.01
Cashiers' checks outstanding	35,296.33	91,770.75	56,474.42	
Certified checks	699,146.94	236,097.35		463,049.59
Suspense account	204,098.83	280,835.81	76,736.98	
Other liabilities	388,965.87	65,772.83		323,213.04
Profit and loss account		12,695.10	12,695.10	
Total	30,703,379.96	34,104,715.30	4,751,080.30	1,349,744.96

The Bank of Zamboanga is not included in the foregoing statement as it does not carry on a general banking business, confining its operations to small loans made from its limited capital, to acting as agent, and making collections.

DRAFTS ON PROVINCES.

On April 30, 1907, the Philippine Commission passed act No. 1636, which authorizes the sale of telegraphic transfers and demand drafts, between Manila and the provinces and vice versa by the insular and provincial treasurers. This act will be of much assistance to the commercial interests of the islands

in that it provides them with a safe and rapid means of transferring funds to and from the provinces at a comparatively small expense.

The necessary blank forms and regulations for putting the provisions of the act into effect are now being prepared by this office.

GOLD-STANDARD FUND.

The following is a summary of the operations of the gold-standard fund for the fiscal year ended June 30, 1907:

Operations of the gold-standard fund.

Items.	Fund in Manila.		Fund in New York, United States currency.
	Philippine currency.	United States currency.	
DEBITS.			
Balance June 30, 1906.....	₱ 70,928.08	\$242,022.51	\$2,628,127.90
New York exchange.....	7,756,185.54	3,000.00	130,000.00
Premiums on New York exchange.....	65,305.84		
Premiums on government exchange.....	51,097.28		
Currency exchanges.....	9,282,748.26	12,877,712.09	
Exchange with other funds.....	4,100,000.00		1,345,000.00
Sale of local currency.....	45,107.97		
New coinage received from United States.....	5,835,000.00		
Miscellaneous.....	130.00	2.50	
Redemption Philippine currency in New York.....		2,501.00	
Transfers with general fund.....		1,750,013.18	750,000.00
Transfers from depositories, United States.....		10.00	
Transfers to depositories, United States.....			64,747.50
Exchange with Treasurer, United States.....		1,000,000.00	9,093,729.42
Interest on deposits in New York.....			76,324.09
Sale of proof sets.....			322.00
Proceeds sale (sixth series) certificates of indebtedness.....			1,022,800.00
Premium on telegraph transfer, New York to Manila.....			975.00
Advances repaid.....	527.75		
	28,565,176.56	15,875,261.28	15,112,025.91
CREDITS.			
Currency exchanges.....	25,755,424.18	4,641,374.13	
Purchase of local currency.....	60,718.05		
Cablegrams.....	1,261.72		
New York exchange.....	280,000.00		3,881,092.77
Exchange with other funds.....	2,390,000.00	2,200,000.00	1,000,000.00
Sent to United States Mints for recoinage.....	8,000,000.00		
Miscellaneous expenses.....	43,888.51		
Purchase of bullion, advance for.....	.66		750,000.00
Exchange with Treasurer, United States.....		9,093,729.42	
Transferred to depositories, United States.....		64,790.00	
Redemption Philippine currency in New York.....			2,501.00
Transfer with general fund.....			2,500,013.18
Certificates of indebtedness.....			1,500,000.00
Interest on fifth and sixth series of same.....			45,000.00
Advances for expenditure.....			70,000.00
Balance on hand June 30, 1907.....	₱ 9,946,111.56	124,602.27	5,363,418.96
	28,565,176.56	15,875,261.28	15,112,025.91

^a Overdraft.

^b Not including Pfs. 132,484.23 local currency valued at ₱101,910.94. Of the Pfs. 132,484.23 stated Pfs. 120,000 consists of old copper coin.

^c Not including Pfs. 65,910.09 local currency valued at ₱50,700.07. Of the Pfs. 65,910.09 stated Pfs. 58,228.09 is in copper coin, the bullion value of which is about ₱40,000.

The status of the gold-standard fund at the end of each month during the fiscal year has been as follows:

Status of the gold-standard fund.

Date.	Philippine currency.	United States currency.	Fund in New York, United States currency.	Total fund (\$1=₱2), Philippine currency.
1906-7.				
July.....	714,873.39	509,612.53	1,959,023.28	5,652,145.01
August.....	497,363.87	85,878.28	1,017,357.15	2,703,894.73
September.....	345,730.94	65,660.52	2,153,928.98	4,784,909.94
October.....	1,519,488.32	549,299.07	2,600,396.27	4,779,906.86
November.....	2,048,431.95	578,278.47	2,839,655.17	4,787,435.33
December.....	2,176,814.30	176,427.00	2,294,063.88	2,764,167.46
January.....	4,719,802.02	79,719.57	2,476,442.81	73,643.56
February.....	7,007,248.90	197,045.41	2,335,688.34	1,943,081.40
March.....	8,380,052.68	20,785.80	3,179,825.34	2,061,972.60
April.....	10,632,233.96	185,127.87	4,547,233.77	1,906,022.16
May.....	9,597,711.05	565,794.88	5,602,954.96	276,609.11
June.....	9,946,111.58	124,602.27	5,863,418.96	581,521.82

A perusal of the above table emphasizes the need, to which attention was called in the treasurer's report for the fiscal year 1906, of a larger volume of currency for the Philippine Islands. The overdrafts in Philippine currency from and including the month of December to the end of the year were increased by reason of shipments to the mint at San Francisco for recoinage, in accordance with act No. 1564 of the Philippine Commission. On account of these shipments the overdraft steadily increased up to the month of May. Receipts of the new coinage in that month and June have somewhat decreased it. Taking into account the currency in the mint for recoinage, the net overdrafts for the months from December to June would be as follows:

December.....	₱176,814.30
January.....	719,802.92
February.....	1,007,248.90
March.....	2,380,052.68
April.....	4,632,233.96
May.....	4,438,573.00
June.....	4,764,722.00

GOLD-STANDARD FUND DRAFTS.

The record of gold-standard fund drafts sold since the inauguration of the Philippine currency system appears in the following table:

Gold-standard fund drafts sold in Manila on New York.

Date.	Sold to banking institutions.		Sold to commercial firms and individuals.		Total sold.	Premiums realized.
	Telegraphic transfers.	Demand drafts.	Telegraphic transfers.	Demand drafts.		
1903-4.						
October	\$100,000.00	\$400,000.00	-----	\$1,500.00	\$501,500.00	₱8,272.50
November	50,000.00	100,000.00	-----	-----	150,000.00	2,625.00
December	300,000.00	50,000.00	\$27,000.00	18,388.66	395,588.66	8,385.87
January	50,000.00	-----	10,000.00	-----	60,000.00	1,350.00
February	-----	-----	-----	-----	-----	-----
March	970,000.00	-----	10,000.00	20,110.79	1,000,110.79	22,351.66
April	500,000.00	20,000.00	10,000.00	10,431.52	540,431.52	11,931.48
May	250,000.00	50,000.00	45,000.00	23,627.26	368,627.26	7,741.92
June	-----	220,000.00	50,867.48	51,829.32	322,696.80	5,221.97
Total	2,220,000.00	840,000.00	152,867.48	128,087.55	3,338,955.03	67,880.40

Gold-standard fund drafts sold in Manila on New York—Continued.

Date.	Sold to banking institutions.		Sold to commercial firms and individuals.		Total sold.	Premiums realized.
	Telegraphic transfers.	Demand drafts.	Telegraphic transfers.	Demand drafts.		
1904-5.						
July.....		60,000.00	3,000.00	18,419.87	81,419.87	1,243.79
August.....		185,000.00			185,000.00	2,775.00
September.....		140,000.00		26,713.29	166,713.29	2,500.70
October.....		40,000.00	40,000.00	58,076.38	98,076.38	1,771.14
November.....				2,233.25	2,233.25	33.50
December.....				183.62	183.62	2.76
January.....						
February.....				5,000.00	5,000.00	75.00
March.....				8,309.85	8,309.85	124.66
April.....	250,000.00		20,000.00	6,417.47	276,417.47	6,171.22
May.....	550,000.00	40,000.00		58,578.14	648,578.14	13,853.69
June.....	500,000.00	236,000.00		29,064.68	765,064.68	15,225.98
Total.....	1,300,000.00	701,000.00	63,000.00	212,966.55	2,236,966.75	43,777.50
1905-6.						
July.....	300,000.00	60,000.00		76,765.79	436,765.79	8,801.48
August.....	400,000.00	200,000.00	200,080.00	60,116.70	860,116.70	17,401.75
September.....	525,000.00	100,000.00	15,000.00	4,083.32	644,083.32	13,710.50
October.....	350,000.00	235,000.00	19,667.02	15,863.77	620,530.79	12,080.46
November.....	750,000.00	60,000.00	25,000.00	26,643.07	861,643.07	18,737.14
December.....	325,000.00	85,000.00	77,500.00	3,747.17	491,247.17	10,387.45
January.....	250,000.00	210,000.00	25,000.00	250,330.43	735,330.43	13,298.68
February.....			30,000.00	7,285.53	37,285.53	784.28
March.....	500,000.00	6,000.00	30,000.00	150,034.29	686,034.29	10,290.51
April.....	750,000.00		60,000.00	4,320.46	814,320.46	12,214.80
May.....	280,000.00	3,734.52	100,000.00	19,853.30	383,587.82	4,253.80
June.....	700,000.00		96,876.48	28,069.13	883,965.61	14,630.50
Total.....	5,170,000.00	959,734.52	678,043.50	647,082.96	7,454,860.98	136,591.35
1906-7.						
July.....	340,000.00		56,000.00	23,056.12	419,056.12	6,235.84
August.....	65,000.00		107,800.00	23,847.92	186,647.92	2,949.72
September.....	660,000.00		42,000.00	2,906.40	704,906.40	10,573.61
October.....		27,000.00	2,000.00	24,381.21	53,381.21	814.96
November.....			7,500.00	5,000.00	12,500.00	243.75
December.....	645,000.00	45,000.00	10,500.00	70,069.29	770,569.29	15,725.08
January.....	450,000.00	60,000.00	57,000.00	25,630.86	612,630.86	12,061.97
February.....	175,000.00	30,000.00	13,000.00	67,680.97	285,680.97	5,064.48
March.....	100,000.00	50,000.00	13,000.00	37,000.00	200,000.00	3,847.50
April.....		50,000.00	20,000.00	16,550.00	86,550.00	1,448.31
May.....		40,000.00	27,250.00	12,000.00	79,250.00	1,363.12
June.....		200,000.00	15,000.00		215,000.00	3,337.50
Total.....	2,435,000.00	522,000.00	371,050.00	308,042.77	3,636,092.77	65,305.84

Drafts on the gold-standard fund sold in New York on Manila.

Date.	Sold to banking institutions— telegraphic transfers.	Total sold.	Premiums realized.
March.....	\$200,000	\$200,000	₱1,500
April.....	60,000	60,000	450
Total.....	260,000	260,000	1,950

The Philippine currency paid into the treasury for the above-mentioned drafts was withdrawn from circulation as provided in section 7 of the Philippine gold-standard act.

In addition to the premium on commercial exchange, as stated in the foregoing table, the following amounts have been received as premiums for exchange sold to other bureaus of the government:

Fiscal year 1905-6.....	₱1,912.50
Fiscal year 1906-7.....	51,097.28

It will be noted that gold-standard fund exchange has been sold on Manila in New York for the first time in March and April of this year.

PHILIPPINE CURRENCY AND UNITED STATES CURRENCY EXCHANGES.

The following exchanges of Philippine currency and United States currency have been made by the insular treasurer, pursuant to section 7 of the Philippine gold-standard act, since October 10, 1903, the date of the passage of that act:

Quarter ending—	Sold.		Bought.	
	Philippine currency.	United States currency.	Philippine currency.	United States currency.
1903-4.				
December 31.....	₱1,242,076.36	\$484,231.38	₱968,462.76	\$621,038.18
March 31.....	2,761,591.66	811,506.70	1,733,013.40	1,380,795.83
June 30.....	3,804,755.56	749,283.46	1,496,566.92	1,652,377.78
Total.....	7,808,423.56	2,045,021.54	4,060,043.06	3,654,211.79
1904-5.				
September 30.....	4,515,476.82	847,482.07	1,664,964.14	2,407,738.41
December 31.....	5,721,983.32	1,438,252.89	2,876,506.78	2,860,991.66
March 31.....	5,802,107.77	2,349,416.10	4,698,832.21	2,901,053.88
June 30.....	7,232,131.18	1,122,062.91	2,244,125.82	3,616,065.59
Total.....	23,571,699.09	5,767,213.97	11,514,427.95	11,785,849.54
1905-6.				
September 30.....	6,256,373.64	779,568.15	1,559,116.30	3,123,186.82
December 31.....	6,513,216.42	757,945.38	1,515,890.76	3,256,608.21
March 31.....	6,010,797.00	1,458,384.96	2,916,769.96	3,005,398.50
June 30.....	6,479,343.28	1,016,318.12	2,082,636.24	3,239,671.14
Total.....	25,259,729.34	4,012,206.63	8,024,413.26	12,629,664.67
1906-7.				
September 30.....	6,105,138.70	1,910,432.60	3,820,865.20	3,052,569.35
December 31.....	6,929,613.24	704,460.14	1,406,920.18	2,464,806.62
March 31.....	6,143,143.60	1,083,140.60	2,066,281.20	3,071,571.80
June 30.....	6,577,528.64	998,340.79	1,986,681.58	3,288,764.32
Total.....	25,765,424.18	4,641,374.13	9,282,748.26	12,877,712.09

The greater part of the exchanges of Philippine currency for United States currency are made with the disbursing officers of the army and navy. These officers keep their accounts in the Treasury depository in United States currency, but practically all their disbursements are made in Philippine currency.

LOCAL CURRENCY.

WITHDRAWAL OF LOCAL CURRENCY.

By Executive order dated March 11, 1907, the redemption of the old local currency ceases with the fiscal year just ended. At the time of the change in the currency system in 1903 this bureau estimated the volume of local currency in the islands at about ₱31,000,000. The net exports from July 1, 1903, to July 1, 1906, were ₱s. 32,467,256.05, and for the fiscal year just past ₱s. 734,268.54. If to these two amounts be added ₱s. 65,910.09, the balance held in the treasury at the end of the fiscal year, and ₱s. 200,000 as the estimated stock of this currency still in the islands, we reach a total of ₱s. 33,467,434.68, representing approximately the amount of local currency in the islands at the time of the change in the currency system. The foregoing total does not include ₱2,057,000 of bank notes of the Spanish-Philippine Bank in circulation on June 30, 1903.

₱s. 78,934.22 local currency were purchased during the year at the rate of ₱s. 1.30 for ₱1, costing ₱60,718.05.

LOCAL CURRENCY SHIPMENTS.

The exports of local currency for the present fiscal year have been as follows:

Commercial	₱s. 651,318.54
Governmental	82,950.00
Total	734,268.54

The total exports for the period from July 1, 1903, to June 30, 1907, inclusive, were as follows:

Commercial	Pfs. 18, 828, 770. 59
Governmental	16, 541, 457:00
Total	35, 370, 227. 59

The exportations made by the government all refer to shipments of Spanish-Filipino money to San Francisco for recoinage. It should be added that during the period from July 1, 1903, to January 14, 1904, the date of the passage of the law prohibiting the importation of local currency, Pfs. 2,168,703 were imported.

RECOINAGE OF LOCAL CURRENCY.

There were shipped to the San Francisco mint during the fiscal year, for the purpose of recoinage, the sum of Pfs. 68,950, making a total of Pfs. 16,527,457 shipped to the mint for recoinage since the introduction of the new currency with the following results:

Local currency shipped for recoinage.

Character of money.	Amount.	Standard ounces produced.	Philippine-currency equivalent at 416 grains, 0.900 fine, to the peso.
Pesos.....	Pfs. 4,100,282.00	3,287,658.47	₱3,780,180.23
50-centavo pieces.....	10,710,982.50	8,258,881.80	9,614,078.73
20-centavo pieces.....	1,380,742.80	1,051,701.99	1,200,439.55
10-centavo pieces.....	320,262.50	240,574.48	276,055.72
Miscellaneous.....	15,237.20	15,589.62	17,985.94
Total.....	16,527,457.00	12,854,383.86	14,806,741.17

The amount of old silver coin on hand, Pfs. 7,682, will coin ₱10,431.62 in coin of the new weight and fineness, which would make a total of ₱14,817,172.79 derived from the recoinage. The total amount paid for this old local currency is approximately ₱14,377,833, and the expenses connected with the shipment and recoinage have been about ₱454,850, making the total expense so far approximately ₱14,832,683.

If to the total estimated proceeds of the recoinage, ₱14,817,172.79, there should be added the profits arising to the government from the sale of Mexican currency in Manila, amounting to ₱19,059, the total estimated proceeds will reach the sum of ₱14,836,231.79, representing a net gain on the redemption of the old local silver currency of ₱3,548.79.

Up to the close of the present fiscal year there had been purchased the sum of Pfs. 123,686.66 in copper coins, costing approximately ₱104,582. Adding to this the cost of 25,612½ pounds of Igorot copper at 40 cents per pound, or ₱10,244.83, the total amount expended in the purchase of copper coins would be ₱114,826.83. Most of this copper has now been sold, with a resulting net loss of ₱8,084.90.

It was found that the redemption of silver currency resulted in a gain to the government of ₱3,548.79. If against this gain there be set off the net loss on the purchase of copper coin, ₱8,084.90, the net result of the total process of redeeming local currency to date would be a loss to the government of ₱4,536.11.

The seigniorage profits of the currency coined from bullion purchased has been estimated at ₱2,720,342.59. If we deduct from this sum the loss on the redemption of the local currency we obtain a net seigniorage profit of ₱2,715,806.48 on the entire process of the coinage of the local currency up to July 1, 1907. The only factor which can alter these figures as a final estimate would be the profit or loss on the sale of the small amount of copper coin still remaining in the treasury. It is likely that this will be disposed of at a small loss, which will not materially affect the figures given above.

THE COINAGE OF 1907.

Early in the fiscal year it became apparent that it would be necessary to make a change in the weight or fineness of the Philippine silver coin. On account of the rise in the price of silver the Philippine peso had been worth, as bullion, more than its face value ever since the end of the year 1905, and in the succeeding months, up to September, 1906, its value was generally two, three, or four cents above par. September, 1906, however, saw a further marked rise, which continued in October, and in November of that year the price of prompt silver in London reached its highest point since 1893, and the peso reached a bullion value of over ₱1.11. The Philippine Commission had, on November 17, 1905, when the bullion value of the peso first went above its legal value, passed act No. 1411, prohibiting the exportation from the islands of Philippine silver coins, or of bullion made by melting or otherwise mutilating such coins, and providing that violations of the act should be punished by the forfeiture of the coins or bullion exported or attempted to be exported, and by fine or imprisonment in addition. Notwithstanding this law, and the extreme vigilance exercised by the Government, it is estimated that between ₱750,000 and ₱1,000,000 were exported, all of it probably going to China. In fact the Hongkong and Shanghai Banking Corporation at Hongkong is reported as having held in its vaults as much as ₱400,000 at one time. Representations as to the situation to the authorities at Washington led to the passage by Congress, on June 23, 1906, of an act authorizing the insular government to change the weight and fineness of the coinage and providing a minimum fineness for the same of 0.700.

Under the authority given, the Philippine Commission passed December 6, 1906, act No. 1564, providing for a new silver coinage, and fixing the weight and fineness of the same as follows:

The peso to contain 20 grams of silver 0.800 fine.

The 50-centavo piece to contain 10 grams of silver 0.750 fine.

The 20-centavo piece to contain 4 grams of silver 0.750 fine.

The 10-centavo piece to contain 2 grams of silver 0.750 fine.

The act further provided that from time to time the existing coins of the islands should be recoined at the United States mints into coin of the new weight and fineness when received into the treasury, and in accordance with this provision the treasurer made the first shipment of the old issue, amounting to ₱2,000,000, to the mint at San Francisco on December 15, 1906, to be recoined. The total shipments for recoinage to June 30, 1907, were ₱8,000,000. The first consignment of the new coin, amounting to ₱1,275,000, arrived in Manila on May 4, 1907, and up to the end of the fiscal year ₱4,275,000 had been received from the San Francisco mint, derived from recoinage, and ₱1,000,000 in subsidiary coin from the Philadelphia mint, coined from bullion purchased. The operation of placing this new currency in circulation was commenced as soon as the first shipment was received, and up to date ₱4,500,000 have been placed in circulation.

For the purpose of expediting the ready circulation of the new coin it was provided in act No. 1564 that the insular treasurer should prepare a circular, to be translated into the various languages and dialects of the islands, explaining the necessity for recoinage and assuring the people of the unchanged purchasing value of the currency. Such a circular was accordingly prepared, translated into Spanish, Chinese, and 11 native dialects, and distributed among the people through the aid of the provincial treasurers and other officials in the provinces. Translations into some dialects could not be made in Manila, but were subsequently made in the offices of the treasurers of the provinces in which they were spoken.

In addition all provincial and municipal treasurers were directed to carry on a general campaign of education with the people, in order that they might become thoroughly acquainted with the new currency and the reasons for the change in its weight and fineness. This campaign was more effective in its results than the circulars.

During the first two or three months that the new coin was in circulation reports were received from the provinces that the Chinese traders would not receive this coin in any business transaction except at a discount varying from 20 to 40 per cent.

They were also offering ₱1.05 of the new coin for ₱1 of the old coin. As the latter could not be exported from the islands in coin or as bullion and was not worth more in the islands than the new coin, the reason for paying a premium

therefor was not understood, nor has any satisfactory explanation ever been made which would account for this peculiar operation. It might have been done for the purpose of accumulating a supply of the old coin and smuggling the same out of the islands if a favorable opportunity arose. After paying the premium of 5 per cent, the profit—in case of a successful smuggling operation—would be only 1 or 1½ per cent. If the parties were caught in the act of smuggling, the whole amount which they were attempting to smuggle would be seized and confiscated under act No. 1411. Consequently the profit to be made on a successful smuggling operation was hardly worth the risk of loss involved.

At this time, October 15, the new coin is accepted without question in every part of the islands, and no reports or complaints have been received for the past two months as to discounting it, and so far as can be ascertained no premium is now paid for the old coin. In fact, the demand for new coin for exchange purposes has so far exceeded the supply that it became necessary to withdraw nearly half a million of the new pesos from the banks to meet the requisitions therefor from the provinces.

On account of the custom of the people in the provinces of burying coin for safe-keeping it will probably be many years before the entire first issue will be received in the treasury for recoinage.

The banks have aided very materially in this work and are entitled to much credit for their assistance.

The following table shows the total amount of Philippine certificates, silver, and minor coin (less amount returned to the United States mints for recoinage) received by the treasurer to June 30, 1907, the amount on hand in the treasury and the amount in circulation at the close of the fiscal year:

Character of money.	Received.	In treasury vaults.	In circulation.	Number of coins in circulation.
Pesos.....	₱23,835,635.00	₱7,522,437.00	₱16,313,198.00	16,313,198
50-centavo pieces.....	3,374,221.00	808,081.00	3,066,140.00	6,132,220
20-centavo pieces.....	1,765,744.40	57,965.40	1,707,779.00	8,538,895
10-centavo pieces.....	1,078,681.40	20,490.90	1,049,190.50	10,491,905
5-centavo pieces.....	499,250.00	253,172.60	246,077.40	4,921,548
1-centavo pieces.....	378,300.00	23,238.16	355,061.84	35,006,181
½-centavo pieces.....	88,670.60	35,256.49	53,413.51	10,682,702
Total.....	31,020,501.80	8,234,641.55	22,785,860.25	92,086,712

PHILIPPINE CERTIFICATES.

Amount and denomination of silver certificates in circulation.

Date.	₱2 certificates in—		₱5 certificates in—		₱10 certificates in—		₱20 certificates in—	
	Circulation.	Vaults.	Circulation.	Vaults.	Circulation.	Vaults.	Circulation.	Vaults.
Sept. 30, 1906.....	1,970,000	1,030,000	1,320,000	4,180,000	9,250,000	1,750,000	1,200,000	4,300,000
Dec. 31, 1906.....	1,802,295	760,000	1,791,240	4,180,000	9,400,420	1,550,000	2,639,740	3,380,000
Mar. 31, 1907.....	1,879,608	390,000	1,808,230	4,070,000	8,808,680	2,000,000	2,951,340	3,040,000
June 30, 1907.....	2,329,608	1,940,000	2,063,230	3,815,000	9,308,680	6,500,000	3,711,340	2,280,000

Date.	₱50 certificates in—		₱100 certificates in—		₱500 certificates in—	
	Circulation.	Vaults.	Circulation.	Vaults.	Circulation.	Vaults.
Sept. 30, 1906.....	170,000	3,330,000	130,000	3,870,000	900,000	2,100,000
Dec. 31, 1906.....	319,950	3,690,000	190,000	3,810,000	1,049,500	1,950,000
Mar. 31, 1907.....	369,050	3,630,000	209,800	3,790,000	849,000	2,150,000
June 30, 1907.....	419,050	3,580,000	709,800	3,290,000	2,999,000	-----

Total in circulation June 30, 1907..... ₱21,540,708
 Total in vaults June 30, 1907..... 21,408,000

During the period from October 13, 1906, to September 6, 1907, Philippine certificates mutilated and worn so as to be unfit for further circulation were redeemed and destroyed under the provisions of section 10 of act No. 938 as amended.

The denominations of the certificates destroyed and the amounts thereof were as follows:

Certificates destroyed.

Denomination.	Full value.	Half value.
2 pesos.....	₱1,085,946	₱30.00
5 pesos.....	307,945	30.00
10 pesos.....	465,930	130.00
20 pesos.....	29,840	-----
50 pesos.....	2,450	-----
100 pesos.....	700	-----
500 pesos.....	1,600	-----

The following table shows the total circulation of the islands, with increase or decrease, by months, for the fiscal year covered by this report:

Date.	Amount in circulation.	Increase (+) or decrease (-).	Date.	Amount in circulation.	Increase (+) or decrease (-).
1906.			1907.		
July 31.....	30,225,241.71	+ 194,830.11	January 31.....	35,101,204.63	- 61,326.83
August 31.....	31,614,094.11	+1,888,852.40	February 28.....	36,073,785.60	+ 792,580.97
September 30.....	32,017,857.56	+ 403,863.45	March 31.....	37,430,436.07	+1,856,650.47
October 31.....	33,223,778.00	+1,205,920.44	April 30.....	38,927,077.33	+1,496,641.26
November 30.....	35,077,223.58	+1,853,444.58	May 31.....	41,156,557.08	+2,229,479.75
December 31.....	35,162,581.46	+ 85,308.88	June 30.....	42,814,314.75	+1,657,757.67

EXCHANGE RATES.

In continuation of the table of exchange rates published in the last annual report the following has been prepared covering the present fiscal year:

London prices of silver and Hongkong and Manila sterling exchange rates, 1906-7.

Year.	London prices of standard silver.				Sterling rates in Hongkong telegraphic transfers.				Sterling rates in Manila, telegraphic transfers.			
	High.	Low.	Mean.	Average.	High.	Low.	Mean.	Average.	High.	Low.	Mean.	Average.
1906.	d.	d.	d.	d.	d.	d.	d.	d.	d.	d.	d.	d.
July.....	30 1/2	29 1/2	30 1/2	30 1/2	25 1/2	25 1/2	25 1/2	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
August.....	30 1/2	29 1/2	30 1/2	30 1/2	25 1/2	25 1/2	25 1/2	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
September.....	31 1/2	30 1/2	31 1/2	31 1/2	26 1/2	26 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
October.....	32 1/2	31 1/2	32 1/2	32 1/2	27 1/2	26 1/2	27 1/2	27 1/2	24 1/2	24 1/2	24 1/2	24 1/2
November.....	33 1/2	32 1/2	33 1/2	33 1/2	27 1/2	27 1/2	27 1/2	27 1/2	24 1/2	24 1/2	24 1/2	24 1/2
December.....	32 1/2	31 1/2	32 1/2	31 1/2	27 1/2	26 1/2	27 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
Year.....	33 1/2	29 1/2	31 1/2	30 1/2	27 1/2	24 1/2	25 1/2	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
1907.												
January.....	32 1/2	31 1/2	31 1/2	31 1/2	27 1/2	26 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
February.....	32 1/2	31 1/2	31 1/2	31 1/2	26 1/2	26 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
March.....	32 1/2	30 1/2	31 1/2	31 1/2	26 1/2	25 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
April.....	30 1/2	30 1/2	30 1/2	30 1/2	25 1/2	24 1/2	25 1/2	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
May.....	31 1/2	29 1/2	30 1/2	30 1/2	26 1/2	25 1/2	25 1/2	25 1/2	24 1/2	24 1/2	24 1/2	24 1/2
June.....	31 1/2	30 1/2	30 1/2	30 1/2	26 1/2	26 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2
Year.....	32 1/2	29 1/2	31 1/2	31 1/2	27 1/2	24 1/2	26 1/2	26 1/2	24 1/2	24 1/2	24 1/2	24 1/2

Respectfully submitted.

FRANK A. BRANAGAN,
Treasurer Philippine Islands.

EXHIBIT A.

AN ACT To provide for the establishment of an agricultural bank in the Philippine Islands.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That for the purpose of aiding in the establishment and operation of such an agricultural bank in the Philippine Islands as the general government thereof may hereafter specifically authorize the Philippine government is empowered to guarantee an income of not exceeding four per centum per annum upon cash capital actually invested by individuals or corporations in such agricultural bank; such guaranty shall be granted by an act of the Philippine Commission which shall contain, among others, the following provisions:

First. The guaranty shall be made to a company organized under the laws of the Philippine Islands, with its principal office in Manila and with branches in such parts of the islands as may be designated by the Philippine Commission.

Second. The bank shall not grant loans except to those engaged in agriculture and with the sole purpose of assisting agriculture in the Philippine Islands.

Third. No loan exceeding in amount five thousand dollars shall be made except upon the written authorization of the secretary of finance and justice of the Philippine Islands.

Fourth. Interest charged on loans shall not exceed ten per centum per annum: *Provided*, That in no event shall the total annual contingent liability under the guaranties authorized by this Act at any time exceed two hundred thousand dollars, and no such guaranty shall continue for a longer period than twenty-five years.

For the further security of the Philippine government said government shall provide by the aforesaid act proper rules, including those for determining the cash capital actually invested in such bank and the net income actually received on said capital so invested, and shall provide for supervision by said Philippine government, through the auditing and other appropriate bureaus thereof, of the conduct of the business of the bank.

The bank shall make such reports from time to time as to its receipts and expenditures in such form and substance and sworn to by such officials as may be prescribed by the Philippine government, and its books and accounts shall be at all times open to inspection by any authorized agent of the Philippine government.

Sec. 2. That money paid by the Philippine government pursuant to the aforementioned guaranty shall be a liability of the bank to the Philippine government, and, as such, shall constitute a lien upon and be paid out of the annual net profits of the bank, subject only to the right of the stockholders to receive therefrom four per centum dividends per annum upon the bank's cash paid-up capital stock. No dividends above four per centum shall be paid, and no profits credited to the surplus fund, either during the period of the government's guaranty or subsequent thereto, until the Philippine government shall have been repaid in full all sums advanced to the bank under said guaranty.

Obligations of the bank to the Philippine government arising from advances made pursuant to the aforementioned guaranty and existing at the time when the bank shall go into liquidation shall constitute a lien on the bank's assets, subject only to the payment of the bank's legitimate debts and the repayment to the stockholders of the par value of the bank's duly authorized cash paid-up capital stock: *Provided*, That nothing in this section shall be interpreted as a guaranty on the part of the Philippine government to the stockholders of the bank of the par value of the bank's cash paid-up capital stock when the bank shall go into liquidation.

Sec. 3. That the bank shall not be permitted to hold real estate beyond that required for business premises: *Provided*, That the temporary acquisition of land as the result of foreclosure, or otherwise, on account of a debt, shall be permitted on condition that land so acquired shall be sold within ten years from the date of acquisition, and all said land not so alienated in good faith shall be forfeited to the Philippine government.

Approved, March 4, 1907, 10 a. m.

EXHIBIT B.

[No. 1493.]

AN ACT To encourage economy and saving among the people of the Philippine Islands, and to that end to provide for the establishment of postal savings banks and their administration through the organization of a postal savings bank division in the bureau of posts, and for other purposes.

By authority of the United States, be it enacted by the Philippine Commission, that:

SECTION 1. There shall be established in the Philippine Islands, under the control and management of the director of posts, an institution to be known as the Philippine Postal Savings Bank.

SEC. 2. (a) In order to facilitate the proper administration of the Philippine Postal Savings Bank, there is hereby created, as a part of the bureau of posts, a division to be known as the postal savings bank division, which shall be presided over by an officer to be known as the chief of the postal savings bank division, who shall receive a salary of six thousand pesos a year and perform his duties subject to the direction of the director of posts.

(b) The chief of the savings bank division shall be required to keep a separate set of books dealing solely with the operations of the Postal Savings Bank, and to make a monthly statement of the same to the director of posts and to the secretary of commerce and police, and at the end of each fiscal year an annual report covering in detail the operations of the postal savings bank division.

(c) The chief of the postal savings bank division shall, before entering upon the duties of his office, execute a bond to the insular government in a sum to be fixed by the insular auditor, with sufficient surety or sureties, to be approved by and filed with the insular auditor. The insular auditor may, from time to time, require that the bond shall be increased or decreased according as the exigencies of the service require.

SEC. 3. (a) Any person six years of age or over residing in the Philippine Islands, and not under legal disability, may open an account to his own credit in the Philippine Postal Savings Bank.

(b) Any person resident in the Philippine Islands, twenty-three years of age or over, and any person under twenty-three years of age who is the head of a family, may open an account for, or make deposits to the credit of the account of, any minor, or any person who, by reason of physical or mental disability, is unable to manage his own affairs.

(c) Any charitable or benevolent society in the Philippine Islands may, with the approval, previously obtained in writing, of the director of posts, open and maintain an account in the Postal Savings Bank.

SEC. 4. No person or society shall have more than one account to his or its own credit in his or its own name upon penalty of forfeiting under due process of law twenty-five per centum of all deposits so held contrary to law: *Provided*, That the above provision shall not prevent a person from acting as trustee in any number of accounts and at the same time maintaining an account of his own.

SEC. 5. Upon opening an account with the Postal Savings Bank a person must state his name in full, his age, residence, occupation, and, in case the account is being opened in behalf of some other individual, or some society, the name, residence, or location of said individual or society, together with his relation thereto. A person upon opening an account with the Postal Savings Bank must declare that he has read or had read to him the rules and regulations of the Postal Savings Bank, and that he is willing to act in accordance therewith. Before receiving a deposit book he must sign a statement to the effect that he receives no benefit from any other account in the Postal Savings Bank, unless it be as a trustee, the representative of a deceased depositor, or as a member of some charitable or provident society. If the statements above referred to should be found to be false, twenty-five per centum of all sums deposited to the credit of the person making said false statements shall be liable to forfeiture by due process of law.

SEC. 6. (a) Immediately upon the passage of this act postal savings banks shall be established in Manila, Iloilo, and Cebu; and

(b) For the performance of the duties prescribed in this act the director of posts shall divide the postal savings banks of the Philippine Islands into three classes, to be known as postal savings banks of the first, second, and third class, respectively.

(c) Postal savings banks of the first class shall receive deposits to any amount and permit withdrawals of any amount, subject to the provisions of this act.

(d) Postal savings banks of the second class shall not receive any single deposit of over one hundred pesos, nor shall they receive deposits to the credit of any one account of more than two hundred pesos for any one month. Withdrawals of deposits shall not be permitted through postal savings banks of the second class of more than two hundred pesos a month, and no depositor shall be permitted to withdraw deposits from postal savings banks of the second class oftener than twice each calendar month.

(e) Postal savings banks of the third class shall receive deposits only by means of postal savings bank stamps, as provided in section nine of this act. No single deposit in the form of stamps shall be received by a postal savings bank of the third class to an amount exceeding twenty-five pesos, nor shall deposits amounting to more than fifty pesos be received by a postal savings bank of the third class to the credit of one account during any one month, and no depositor shall be permitted to withdraw deposits from postal savings banks of the third class oftener than twice each calendar month. No depositor shall be permitted to withdraw through a postal savings bank of the third class over fifty pesos at one time or over one hundred pesos during any one month.

(f) The maximum limits of deposits, credits, and withdrawals provided for in this section shall be doubled in the case of deposits, credits, and withdrawals, respectively, of the charitable and benevolent societies referred to in paragraph (c) of section three of this act.

(g) No deposit shall be received and no deposit entry made for a sum less than one peso, except in the case of accrued interest.

SEC. 7. Any person or society having a deposit account with the Postal Savings Bank shall, subject to the provisions of this act, be permitted to make deposits to the credit of said account or withdrawals from said account at any postal savings bank in the Philippine Islands.

SEC. 8. Each depositor in the Postal Savings Bank shall be entitled to receive, free of charge, a deposit book, to be obtained in the manner hereinafter stated.

(a) If the deposit be made at Manila he shall receive his deposit book, with the proper entries therein, upon making the initial deposit. Subsequent deposits at Manila shall be received by the head office upon presentation either in person or by agent of the sum to be deposited and the deposit book, and thereupon proper entry shall be made upon the deposit book and the deposit book shall be immediately returned to the depositor.

(b) If the initial deposit be made at any other post-office than that at Manila, the depositor must sign an application for a deposit book, stating his name, occupation or profession, and place of residence, and sign the declaration required by section five hereof. The deposit book must be obtained from the central office. A preliminary receipt for the amount of the first deposit will be given to the depositor, who will be informed of the date upon which he should call to receive the deposit book. When the deposit book is handed over to the depositor he will be required to return the preliminary receipt and sign a receipt for the deposit book, in addition to leaving a specimen of his signature on record in the post-office, if he be able to write, and if he be not able to write he shall leave in the post-office a specimen of his thumb mark. The amount of the original deposit will be entered in the deposit book by the central office and the depositor will thus have a guaranty that the same has been received in that office. He should carefully see that the entry in the deposit book corresponds with the amount entered in the preliminary receipt before giving up the latter.

(c) To make subsequent deposits at any other post-office than at Manila the depositor shall take or send the amount to be deposited with his deposit book to the post-office, and the amount of the deposit shall be entered in the deposit book and the balance due the depositor struck. The entry shall then be initialed by the postmaster and stamped with the date stamp of the office, the deposit book to be returned to the depositor or his agent who brings the deposit. It shall be the duty of the postmaster, by the first mail for Manila, to notify the central office of the amount and date of the deposit, the name and residence of the depositor, the number of his deposit book, and the balance to the depositor's credit, and the head office, upon receiving the information aforesaid, shall make the proper entries upon its books, and send to the depositor at his post-office address by first mail a receipt showing the amount and

date of the deposit, the name and residence of the depositor, the number of the deposit book, and the balance to the depositor's credit. If the receipt should not reach the depositor in proper time, or if when it reaches him it should show any signs of erasure and should not agree with the entry in the deposit book, the depositor should immediately apply to the head office, and renew his application again and again until he receives a satisfactory reply.

SEC. 9. (a) For the purpose of facilitating deposits of small savings and of extending the privileges of the postal savings banks to the smaller communities, there shall be issued, by the bureau of posts, postal savings bank stamps in denominations of five, ten, and twenty centavos, respectively, which stamps shall be for sale at every postal savings bank in the Philippine Islands, and all moneys received in payment for said stamps shall be considered as postal savings bank deposits, a record of which shall be kept separate from the other accounts of the post-office.

(b) Every postal savings bank shall furnish without charge to any person purchasing postal savings bank stamps the appropriate cards arranged with ten or twenty blank spaces, each bearing a distinctive number, for the pasting on of the above-mentioned stamps. The cards shall be of three different colors, arranged for the three different denominations of stamps, respectively, and only stamps of the denominations designated shall be placed on the respective kind of cards. The postmaster upon giving out a card shall stamp it with the stamp of his office and shall require the person receiving it to sign it with his name, or mark, and transfers of cards shall be made only by indorsement to order.

(c) Stamp cards, upon being properly filled with stamps, may be presented at any postal savings bank in the Philippine Islands and deposited as if they were money of the amount represented by the face value of the stamps, and the procedure for making such deposits shall be the same as that provided for deposits of money, in section eight of this act. The chief of the postal savings bank division shall cancel all stamps received for deposit at the time the deposit entry is made to the depositor's credit.

(d) Employees of the Postal Savings Bank, and all persons intrusted with the handling or custody of postal savings bank stamps, whether said stamps shall have been canceled or not, shall be held responsible for them in the same manner and to the same extent as if they were insular money of a value equal to the face value of the stamps.

(e) Uncanceled postal savings bank stamps shall be redeemable at par in postage stamps at the office of the chief of the postal savings bank division.

SEC. 10. Interest at two and one-half per centum per annum shall be allowed on all deposits in the Postal Savings Bank until practical experience shall demonstrate that a higher rate can safely be guaranteed, subject to the following limitations:

(a) In the reckoning of interest, the day upon which the deposit was entered to the credit of the depositor upon the books of the chief of the postal savings bank division shall be considered as the date of the deposit.

(b) Money to the credit of any depositor in excess of one thousand pesos shall not bear interest, except in the case of deposits made by charitable and benevolent societies as provided in paragraph (c) in section three, in which case deposits in excess of two thousand pesos shall not bear interest.

(c) Interest shall be computed upon the lowest monthly balance to the credit of the account during each month of the fiscal year and shall be placed to the depositor's credit at the end of each fiscal year: *Provided*, That if the account is closed during the fiscal year the interest shall be added at the time the account is closed.

(d) No interest shall be allowed upon fractions of a peso or for the fractional part of a calendar month.

(e) The Philippine government reserves the right to alter the rate of interest at the end of each fiscal year.

(f) At the end of each fiscal year the chief of the postal savings bank division shall send a statement of the interest accrued on each deposit to every depositor, and a duplicate statement of the same to the postmaster of the postal savings bank most convenient to the residence of said depositors, respectively, and said postmasters shall, upon presentation of the deposit books by the respective depositors together with the above-mentioned statement, enter the amount as a deposit in the deposit book of said depositor in the manner provided in section eight of this act.

(g) Any postal savings bank account upon which there has not been made, for a period of ten years, any deposit, withdrawal, or other operation made on demand of the depositor, or his legal representatives or assignees, shall cease to be productive of interest and shall be reimbursable at the amount existing to the credit of said depositor upon the thirtieth of June following the date upon which said ten-year period shall have expired: *Provided*, That in the case of deposits made by one person or society to the credit of another person or society under the stipulation that the latter person or society shall not have the disposal of said funds until after a fixed period of time, the said period of ten years shall date from the expiration of the period so fixed.

SEC. 11. Postal savings bank funds deposited in the various postal savings banks in the Philippine Islands shall be transferred through the director of posts to the treasurer of the Philippine Islands for the credit of the Philippine Postal Savings Bank, at such time and by such methods as the director of posts shall direct: *Provided*, That no postmaster of any postal savings bank of the first class shall at any time hold in his possession, for a longer period than is absolutely necessary to provide for its shipment to Manila, more than five thousand pesos, except upon the express authorization of the director of posts; no postmaster of any postal savings bank of the second class shall at any time hold in his possession, under like conditions, more than one thousand pesos of postal savings bank funds, and no postmaster at any postal savings bank of the third class over two hundred pesos.

SEC. 12. All postal savings bank funds and all proceeds therefrom shall be kept as a separate trust fund by the insular treasurer, and shall be used for no other purpose than those expressly provided for in sections eighteen, nineteen, and twenty of this act.

SEC. 13. (a) A depositor wishing to make a withdrawal shall present his deposit book at the office where the withdrawal is to be made, and shall sign in the presence of some officer of said postal savings bank, who shall witness the same by his own signature, an application for the amount to be withdrawn. This application shall be forwarded to the chief of the postal savings bank division, who, upon being satisfied that the application is a bona fide one, and that funds sufficient for its payment are to the credit of the depositor, shall debit the amount to be withdrawn upon the depositor's account at his office, and forward to the said postmaster a warrant for the payment to the depositor of the amount applied for. The depositor, upon receiving payment from the postmaster of the sum withdrawn, shall sign a receipt in triplicate, one copy of which shall be forwarded to the insular auditor, one to the chief of the postal savings bank division, and one retained by the postmaster making the payment. The postmaster upon making the payment shall debit the amount paid upon the depositors deposit book and strike therein a new balance, placing opposite the entry his initials and the stamp of his office.

(b) In case there are not sufficient funds available at the post-office where the withdrawal is desired, the postmaster of said office shall, at the time he sends the application for withdrawal to the chief of the postal savings bank division, make a requisition upon the chief of the postal savings bank division for the sum necessary to meet the withdrawal applied for, and said sum shall be sent by the chief of the postal savings bank division to the postmaster at whose office the application for said withdrawal was made.

(c) Withdrawals may be made by telegraph under the following regulations: Application for withdrawal must be made to the proper postmaster as provided in this section and the cost of the telegram to the chief of the postal savings bank division paid by the applicant at the time the application is made. The telegram shall then be sent by the postmaster to the chief of the postal savings bank division. Upon being satisfied that the application is a bona fide one and that there are funds to the credit of the depositor sufficient to meet the same, a warrant for the amount, less the cost of the return telegram, shall be telegraphed to the postmaster, who, upon receipt of the same, shall make the payment as provided in paragraph (a) of this section. If there are not sufficient funds available at said post-office for the payment, said fact shall be mentioned by the postmaster in the aforementioned telegram, and the funds for the payment shall be sent as provided in paragraph (b) of this section.

SEC. 14. (a) A depositor shall not be permitted to make more than two withdrawals from his deposit each calendar month.

(b) The government reserves the right to delay the repayment of deposits for a period of two weeks in the case of withdrawals of amounts less than two hundred pesos, and one month in the case of withdrawals of amounts of two

hundred pesos or over, in addition to the time necessary to forward the application for withdrawal from the post-office at which said application is made to the office of the chief of the postal savings bank division at Manila and to return the warrant issued in response to said application.

(c) A depositor shall not be permitted to withdraw a smaller sum than one peso, nor shall he be permitted to withdraw any sum which includes a portion of a peso: *Provided*, That in closing his account he may withdraw the entire amount to his credit.

(d) A minor shall not be permitted to withdraw money other than that deposited by himself in his own name, but, upon attaining his majority, he may withdraw any money deposited for him, in accordance with the conditions upon which such deposits were made.

Money deposited on behalf of a minor by his parent or guardian may be withdrawn only by said parent or guardian during the minority of the minor.

(e) Women, whether married or single, shall be permitted to withdraw money deposited by them in their own names, or, upon attaining their majority, money deposited for them by others, in accordance with the conditions upon which said deposits were made, and the fact of their marriage shall not alter this privilege.

Sec. 15. A depositor wishing to close his account shall present his deposit book with a form of application properly made out at the postal savings bank at which the withdrawal of the deposit is to be made. He shall receive from the postmaster a receipt for his deposit book, which receipt shall state the name and residence of the depositor, number of his deposit book, and the balance due him as shown by said book. The deposit book, together with the application for the withdrawal of the balance of the deposit and the closing of the account, shall be forwarded to the chief of the postal savings bank division in the same manner as requests for the withdrawal of deposits are forwarded, as provided in section thirteen, and payment of the balance due to his credit, including interest up to the close of the month preceding the receipt of his application, shall be made. Upon payment to the depositor he shall surrender to the postmaster the receipt given to him as in this section above provided. The deposit book shall be retained at the office of the chief of the postal savings bank division.

Sec. 16. (a) Depositors wishing to withdraw funds from their postal savings bank account and who are unable to make application at a postal savings bank for such withdrawals may, by filling out a proper application form and intrusting the same, together with their deposit book, to another person, authorize said person to make the application for withdrawal, and receive the receipt given by the postmaster for the deposit book and the funds to be withdrawn.

(b) Any depositor of the age of majority may execute a nomination in connection with his postal savings bank account, providing for the transfer of his deposit or any part thereof at his death. Said nomination must be made in writing upon a proper form prepared for that purpose by the chief of the postal savings bank division. It must be signed by the depositor in the presence of a witness (other than the beneficiary of the nomination) and must be sent for registration to the chief of the postal savings bank division during the depositor's lifetime. The nomination shall then be returned to the depositor.

(c) Whenever a claim is made under a nomination executed by a depositor in the manner above provided, and in force at the depositor's death, the nominee shall be required, before receiving any benefits from the depositor's account, to forward, to the chief of the postal savings bank division, the nomination and the depositor's deposit book, together with satisfactory evidence of the depositor's death and of his identity as the person named in the nomination. The chief of the postal savings bank division, upon being satisfied from the above-mentioned evidence, of the death of the depositor, the identity of the nominee, and the legality of his claim, shall pay to the nominee the sum legally due him as provided in the nomination.

(d) In case no nomination is made during the depositor's lifetime as herein provided, funds to his credit in the Postal Savings Bank at the time of his death shall be disposed of in the same manner as other property in accordance with the provisions of existing law.

Sec. 17. (a) No postal savings bank deposit shall be subject to taxation by the insular government, or any provincial or municipal government in the Philippine Islands.

(b) The deposit book of a depositor in the Postal Savings Bank shall not be a proper security for a loan, debt, or obligation of any kind, and no such claim

of any person, firm, or corporation holding a deposit book of the Postal Savings Bank shall be recognized as a valid claim against a depositor's account.

(c) Deposits in the Postal Savings Bank which bear interest in accordance with the provisions of section ten of this act shall not be liable to attachment for debt: *Provided*, That amounts to the credit of any depositor in excess of the limit upon which interest is payable shall be attachable the same as deposits in other banking institutions.

SEC. 18. (a) The investment of the funds of the Postal Savings Bank shall be in charge of a board to be known as the postal savings bank investment board, which shall be composed of the secretary of commerce and police, the secretary of finance and justice, the director of posts, the insular treasurer, and a business man to be appointed by the governor-general, who shall serve without compensation. It shall be the duty of the postal savings bank investment board to invest the funds of the Postal Savings Bank as hereinafter provided, taking sufficient and proper security for investments made, and to perform such other duties as the proper investment and administration of the funds of the Postal Savings Bank shall require.

(b) The funds received upon deposit by the Postal Savings Bank shall be invested in any or all of the following ways, and in no others, in such amounts and under such regulations as the postal savings bank investment board shall determine:

(1) Investment in bonds or other evidences of indebtedness of the United States.

(2) Investment in bonds or other evidences of indebtedness of the insular government of the Philippine Islands, of the city of Manila, and of any municipality in the Philippine Islands issued in pursuance of section sixty-six of the act of Congress approved July first, nineteen hundred and two, as amended by section three of the act of Congress approved February sixth, nineteen hundred and five: *Provided, however*, That not exceeding ten per centum of the total deposits shall be invested in bonds of municipalities of the Philippine Islands outside of the city of Manila.

(3) Interest-bearing deposits, under proper security, in any bank situated in the United States or in the Philippine Islands having an unimpaired, paid-up capital equivalent to one million five hundred thousand pesos or over of Philippine currency.

(4) The stocks or shares of banks doing business in the Philippine Islands having a paid-up capital of one million five hundred thousand pesos or over: *Provided, however*, That not exceeding ten per centum of the total deposits shall be invested in such stocks or shares.

SEC. 19. All expenses properly chargeable to the administration of the Postal Savings Bank shall be paid from the profits arising from the investment of the postal savings bank funds: *Provided*, That if the profits arising from said investments are not sufficient during any year, together with the reserve fund accrued as hereinafter provided, to pay the interest upon the deposits and the expenses of administration, there shall be appropriated out of the general funds of the insular treasury, not otherwise appropriated at the time, sufficient funds to cover the deficit so created.

SEC. 20. Should the earnings of any fiscal year exceed the amount necessary for the payment of interest and the expenses of administration, the surplus shall be set aside as a special fund to be known as the postal savings bank reserve fund and as such shall be invested and permitted to accumulate until it shall equal five per centum of the interest-bearing deposits of the Postal Savings Bank. This fund shall be a trust fund and shall be used for no other purpose than to meet deficits in those years in which the earnings of the Postal Savings Bank shall not be sufficient to pay interest and to meet current expenses. Any net earnings of the Postal Savings Bank in addition to the amount necessary to establish and maintain the aforementioned reserve fund shall be utilized by the postal savings bank investment board for the purpose of increasing the rate of interest payable on deposits in the Postal Savings Bank.

SEC. 21. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An act prescribing the order of procedure by the Commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC. 22. This act shall take effect on its passage.

Enacted, May 24, 1906.

EXHIBIT C.

[No. 1620.]

AN ACT Amending act numbered fourteen hundred and ninety-three, entitled "An act to encourage economy and saving among the people of the Philippine Islands, and to that end to provide for the establishment of postal savings banks and their administration through the organization of a postal savings bank division in the bureau of posts, and for other purposes."

By authority of the United States, be it enacted by the Philippine Commission, that:

SECTION 1. Section eighteen of act numbered fourteen hundred and ninety-three is hereby amended by adding at the end of paragraph (b) the words "unless otherwise provided by this act," and by adding at the end of the section the following additional paragraphs:

"5. (a) Upon first mortgage or deed of trust to the bank of improved and unencumbered city real estate, with a title registered in accordance with the land registration act, situated in the cities of Manila, Cebu, Iloilo, and Zamboanga: *Provided, however*, That no investment shall be made upon a mortgage or deed of trust of any parcel of such property without the approval of four-fifths of the members of the investment board, nor in amount in excess of forty per centum of the assessed value of such property, nor in amount in excess of five per centum of the total amount of deposits in the bank, nor in amount in excess of fifty thousand pesos on any one piece of property, nor for a longer time than three years: *And provided further*, That the investments upon such mortgages and deeds of trust shall not exceed in the aggregate twenty-five per centum of the total deposits in the bank.

"(b) Upon first mortgage or deed of trust to the bank of actually cultivated, improved, and unencumbered agricultural lands in the Philippine Islands with a title registered in accordance with the land registration act: *Provided, however*, That no investment shall be made upon a mortgage or deed of trust of any parcel of such land without the approval of all members of the investment board, nor in amount in excess of twenty per centum of the assessed value of such land, nor in amount in excess of ten thousand pesos on any one piece of property, nor for a longer time than five years: *And provided further*, That investments upon such mortgages or deeds of trust shall not exceed in the aggregate ten per centum of the total deposits in the bank.

"Real estate acquired by the foreclosure of a mortgage or deed of trust thereon shall be vested in the name of the Postal Savings Bank and shall be sold by the investment board as soon as a price can be obtained therefor sufficient to pay the amount of the mortgage or deed of trust, interest, charges, insurance, and other expenses chargeable against the property, and within three years after the same is vested in the bank, unless such time shall be extended by the governor-general. The chairman of the investment board by direction of the board shall execute all necessary papers for the sale and transfer of such real estate. The director of lands shall, under direction of the investment board, undertake the management of any property title to which may vest in the bank by operation of this law and shall render to the board all reports for which it may call.

"The board shall be charged with the duty of verifying the reasonableness of the assessed value of all land upon which money is loaned under the provisions of this act.

"6. In any securities the principal or interest of which is guaranteed by the Government of the United States or of the Philippine Islands.

"7. In loans on any securities the principal or interest of which is guaranteed by the Government of the United States or of the Philippine Islands: *Provided*, That such loans shall not exceed eighty per centum of the market value of such securities and that no loans shall be made on such securities for a period longer than one year."

SEC. 2. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An act prescribing the order of procedure by the Commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC. 3 This act shall take effect on its passage.

Enacted, March 22, 1907.

EXHIBIT D.

[No. 1840.]

AN ACT Authorizing the postal savings bank investment board to make loans from funds available for investment to provinces of the Philippine Islands, under guarantee of the insular government.

By authority of the United States, be it enacted by the Philippine Commission, that:

SECTION 1. The postal savings bank investment board created by section eighteen of act numbered fourteen hundred and ninety-three, entitled "An act to encourage economy and saving among the people of the Philippine Islands, and to that end to provide for the establishment of postal savings banks and their administration through the organization of a postal savings bank division in the bureau of posts, and for other purposes," is hereby authorized to make loans from the funds under its control available for investment to provinces of the Philippine Islands, under guarantee of the insular government first had that the loan and interest thereon will be paid.

SEC. 2. Before making any such loan the postal savings bank investment board shall require a resolution of the provincial board of the province to which the loan is to be made, requesting the loan, stating that the same will be used solely for certain public improvements specified therein, agreeing to repay the amount loaned within a certain period with interest at a rate to be stated in said resolution, and requesting the insular government to guarantee the repayment in full of said loan and interest. Said resolution shall further provide that the insular government may, from time to time, in consideration of its guaranty, deduct from any funds in the insular treasury belonging to the province sufficient sums to pay the interest and principal as the same may become due.

SEC. 3. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An act prescribing the order of procedure by the Commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC. 4. This act shall take effect on its passage.

Enacted, May 3, 1907.



EXHIBIT No. 3.

REPORT OF THE ACTING INSULAR COLLECTOR OF CUSTOMS.

OFFICE OF THE INSULAR COLLECTOR OF CUSTOMS,
Manila, August 31, 1907.

SIR: Complying with directions received from your office, I have to transmit herewith an annual report covering the transactions of the bureau of customs during the fiscal year 1907.

On September 28, 1906, Mr. W. Morgan Shuster, insular collector of customs, was appointed a member of the Philippine Commission, and since that date the undersigned has been in charge of the bureau as acting insular collector of customs.

All positions of special agents were abolished by the reorganization act and none have been in the service since the commencement of the fiscal year 1906. On this account, this office has no direct means of supervising the execution or administration of customs laws at subports of entry, and has been compelled to rely entirely on reports rendered by collectors of customs. Experience has demonstrated the necessity of a careful supervision over customs administration at all ports of entry throughout the islands by means of specially qualified customs officers, who directly represent the insular collector. This work does not involve in any way the mere auditing of office accounts, for it is much broader in its scope and effect. It includes investigations into violations of the customs revenue laws, correct classification of imported merchandise, administration by collectors of customs at subports of entry, and many other questions of prime importance to successful administration of the customs service. Until provision can be made for special agents, this work will be done as circumstances permit by one of the officers of the bureau specially selected therefor.

ACTS OF THE PHILIPPINE COMMISSION AFFECTING THE CUSTOMS SERVICE.

Mention is made below of the legislation affecting the customs service enacted during the past fiscal year, with notations of the action taken thereon.

Act. No. 1522, enacted August 7, 1906, amends act No. 780 by providing certain qualifications necessary for the issuance of a license to marine officers.

Act No. 1523, enacted August 9, 1906, prohibits the importation of lottery tickets or advertisements into the Philippine Islands. Under this act, numerous shipments of lottery tickets have been seized by customs officers. The tickets so seized were destroyed as provided by law, and the violators of the law delivered to the prosecuting attorney.

Act No. 1528, enacted August 22, 1906, amends section 201 of act No. 355 so as to permit the exportation of salvage gear and apparatus from the Philippine Islands for temporary use abroad, and its reimportation into the Philippine Islands upon proper identification without the payment of duty. No advantage has, up to the present date, been taken of this act.

Act No. 1538, enacted August 31, 1906, repeals the provisions of the tariff laws imposing tonnage dues on vessels arriving from a port or place outside of the Philippine Islands. This act became effective September 1, 1906, and since that date no tonnage dues have been collected at entry ports in the Philippine Islands. The reduction in the revenue from this source amounted to approximately ₱60,000, Philippine currency, during the past fiscal year.

Act No. 1568, enacted December 7, 1906, provides for the free entry of material and supplies to be used in the construction of the railroads granted concessions by acts Nos. 1497 and 1510, and authorizes the insular collector of customs to prescribe suitable and necessary regulations thereunder. These regu-

lations were published in Customs Administrative Circular No. 424 and have been effective since December 19, 1906.

Act No. 1574, enacted December 14, 1906, continues in force the existing rates of duty on rice—husked, unhusked, and in flour—until May 1, 1908. Had this act not been passed the duty on rice imported into the Philippine Islands would have increased on January 1, 1907, as follows: Rice, husked, from 60 cents, United States currency, per 100 kilos to 80 cents; rice, unhusked, from 75 cents, United States currency, per 100 kilos to \$1; rice flour, from \$1.75, United States currency, to \$2.

Act No. 1576, enacted December 14, 1906, provides that the decision of the insular collector of customs shall be final in all seizure cases in which the appraised value is less than ₱200. This act has made possible the prompt settlement of minor violations of the customs law, with substantial justice to both the public and the government.

Act No. 1602, enacted March 12, 1907, amends section 1 of act No. 780 and authorizes the appointment of a board to be known as the "board on Philippine marine examinations." This board was appointed by Manila Custom-House General Order No. 115, dated April 2, 1907; the order also provides rules and regulations for the government of the board in the execution of its duties.

Act No. 1610, enacted March 14, 1907, authorizes the insular collector of customs to prescribe the number and class of marine officers to be carried on coast-wise vessels. The regulations made necessary by this act have been prepared and forwarded to the secretary of finance and justice for approval.

Act No. 1655, enacted May 18, 1907, is known as the "pure food and drugs act." General regulations for its enforcement were compiled by the insular collector of customs, the collector of internal revenue, and the director of health, and were approved by the secretary of the interior on May 23, 1907. Special regulations for the guidance of collectors of customs in connection with their duties under this act have been published in Customs Administrative Circular No. 439.

TONNAGE DUES.

On August 31, 1906, the Commission passed an act abolishing tonnage dues on vessels arriving in the Philippine Islands from foreign ports. This act became effective on September 1, 1906, and the revenues decreased from \$50,560.83 in 1906 to \$10,712.77 in 1907, a decrease of \$39,848.06.

This legislation has had a beneficial effect. It has encouraged vessels plying between Australian, Chinese and Japanese ports to make Manila a port of call, and has also encouraged the large steamers engaged in the Pacific Ocean trade to enter Philippine ports. No reason now exists, except lack of trade, why vessels of large tonnage should not regularly enter Philippine ports, as the port charges are practically nil.

DRAWBACK OF IMPORTED DUTIES PAID.

Drawback of duties paid on imported merchandise used in the manufacture of articles exported from the Philippine Islands has not assumed any importance. During the past fiscal year thirty-five drawback entries were filed and coursed, and refunds in the total sum of \$552.77, United States currency, were approved. Thirty-one of these entries covered paper used in the manufacture of cigarettes and four covered material used in the manufacture of straw hats; the refund amounting to \$507.88 and \$44.89, respectively.

The drawback regulation now in effect should be a material benefit to manufacturing industries using imported materials, which may hereafter be established, where the fabricated article is for exportation.

FOREIGN SHIPPING.

The statistics show marked change in the carrying trade during the past year, compared with the previous year.

Of the import trade, British vessels carried in 1907, 56 per cent of the entire volume, increasing from \$14,940,984 in 1906 to \$16,697,111 in 1907.

Of the export trade, British vessels carried more than 76 per cent, increasing from \$25,294,385 in 1906 to \$26,015,019 in 1907.

Of the import trade, Spanish vessels show an increase from \$5,820,663 in 1906 to \$6,195,281 in 1907, and a proportionate increase in carrying the export trade.

German vessels increased about a million dollars in carrying the import trade, and show a slight increase in carrying the export trade.

American vessels show a marked decline in carrying import trade, falling from \$1,783,266 in 1906 to \$942,940 in 1907, and an equally marked decline in carrying the export trade. This reduction can be attributed in some degree to the destruction of two of the largest American vessels on Pacific waters.

At this time it is deemed expedient to direct attention to the fact that by the provisions of the act of Congress of April 30, 1906, the navigation laws of the United States apply to the Philippine Islands on and after April 11, 1909. By the provisions of this act, all merchandise coming to the Philippine Islands from the United States and all merchandise going to the United States from the Philippine Islands must be carried in American bottoms. During the fiscal year 1907 the value of the merchandise imported into the Philippine Islands from the United States was \$5,664,254; and of this amount merchandise to the value of \$942,940 was brought to the islands in American bottoms, showing that the merchandise carried by American ships was 16.6+ per cent of the importations from the United States.

During the year the value of the merchandise exported from the Philippine Islands direct to the United States was \$12,082,364, and the value of this merchandise carried in American bottoms was \$831,463, which is 6.8+ per cent of the merchandise exported from here to the United States.

The application of the navigation laws of the United States to the Philippine trade must result in one of two things—either enough American ships for the purpose of carrying this trade must be available at freight rates considerably less than those now prevailing or the trade which is now going to the United States will be diverted to foreign countries. As the law above referred to was passed by Congress with the evident intention to benefit American bottoms, it would seem to be incumbent upon American shipping interests to make the necessary arrangements for the proper handling of this business. It is an easy deduction to arrive at the conclusion that unless such action is taken the American exporter to the Philippine Islands must suffer a material decrease in his Philippine trade.

Japanese vessels have again entered the field, carrying \$760,718 of the import trade and \$558,026 of the exportations during the year 1907.

Vessels of the Philippine Islands entered more extensively into the foreign shipping during the year 1907 than ever before, increasing from \$483,942 in 1906 to \$662,901 in 1907, an increase of 50 per cent.

Prior to July, 1906, in reports on form No. 6 showing foreign shipping, foreign vessels, touching at various coastwise ports and being regularly reported from each were thus duplicated, thereby inflating the shipping report. Since July 1, 1906, by direction of the Bureau of Insular Affairs at Washington, supplementary reports have been made each month showing the foreign vessels touching at the various coastwise ports arriving from or clearing for another coastwise port in the Philippine Islands, and duplication of vessels and inflation of tonnage have been avoided.

The following is a summary of the said supplementary report for the fiscal year ended June 30, 1907, showing the number and tonnage of such vessels for each of the ports:

Supplementary report of foreign vessels entering from or clearing for other coastwise ports during fiscal year 1907.

Port.	Entered.		Cleared.	
	Vessels.	Net tons.	Vessels.	Net tons.
Manila.....	23	59,936	58	142,133
Iloilo.....	60	89,978	17	35,986
Cebu.....	32	97,487	56	100,239
Jolo.....	18	8,819	13	9,090
Zamboanga.....	27	20,099	27	32,472

IMPORT AND EXPORT TRADE BY COUNTRIES.

IMPORTS.

The table of statistics covering the import trade of the Philippine Islands by countries shows that, with few exceptions, the countries enjoy about the same relative proportion of trade, participating about equally in the general increase of the past year. The relative standing of the various countries is as follows: England, United States, East Indies (French), Chinese Empire, Spain, Australia, Germany, East Indies (British), Japan.

The total volume of import trade shows an increase of \$3,855,047, or 15 per cent, in 1907 over the value for the previous year.

The United States shows an increase of \$1,330,337, and England of \$1,355,624, the proportion being practically the same.

The two countries furnished more than one-third of the entire import trade of the islands.

East Indies (French), for some years at the head of the list, fell from first place in 1905 to third place in 1907, the cause being marked decrease in the importation of rice which comes chiefly from East Indies (French).

While nearly all the countries show a material increase, East Indies (French) constitutes a marked exception.

Russian imports in 1905 represented a value of \$302,646, and in 1907 dropped to \$5,602. About the only product imported from Russia was petroleum, and the United States has again obtained complete control of that trade in these islands.

On account of the disturbed conditions, the trade with Japan had fallen from \$1,018,983 in 1905 to \$657,386 in 1906; but peace prevailing, the import trade increased 55 per cent last year, representing a value of \$1,010,043, thus restoring Japan to her former position in the import trade of the islands and giving her ninth place in the list.

Forty-seven countries are represented in the import trade of the Philippine Islands, but the imports from only nine of these represent a value reaching \$1,000,000, United States currency; the importation from many is utterly insignificant.

British Australasia maintained a steady increase in trade, having practically a monopoly of the fresh meat trade and furnishing a great quantity of vegetables and fruits. This country is also making great inroads in the flour trade.

The real struggle for supremacy in the import trade of the Philippine Islands lies between the United States and England.

EXPORTS.

The export trade of the islands, as shown by the statistical table of exports by countries, shows but slight change as to relative position of countries. The United States, which represents more than one-third of the entire export values, easily holds first position, England second, and France third in importance.

Only six countries represent a value of over \$1,000,000, United States currency; and only nine of the fifty-five countries participating in the export trade represent a value of over \$100,000, United States currency; others, commercially considered, are of comparatively little importance; many, however, show a material increase, giving promise of more extensive trade relations in the near future.

GROSS CUSTOMS COLLECTIONS.

During the fiscal year 1907 the gross customs collections at all ports of entry in the Philippine Islands were \$8,194,708.52 as against \$7,553,206.06 for the fiscal year 1906. This is an increase of \$641,502, United States currency, in favor of the fiscal year 1907 and shows an increase in business of 8 per cent.

In these collections is included the refundable duty paid on hemp exported to the United States from the ports of Manila and Cebu, these collections being \$433,458.53 for the fiscal year 1907 as against \$433,991.79 for the fiscal year 1906, a decrease of \$533.21.

A substantial increase in business is shown at all ports of entry except the subport of Bongao. This port and the ports of Jurata, Sitanki, and Balabac were established primarily as outposts for the purpose of preventing to as great an extent as possible the smuggling of dutiable merchandise from the island of Borneo into the Philippine Islands through the small groups of islands in the

southern part of the archipelago. The increase in collections at Jolo and Zamboanga indicates that this object has, in part at least, been accomplished.

The increase in collections is shown by ports as follows:

At the port of Manila the collections for the fiscal year 1907 were \$6,605,887.66 as against \$6,160,408.01 in 1906, a net gain of \$445,479.65, or 7 per cent.

At the port of Cebu the collections for the fiscal year 1907 were \$802,591.46 as against \$644,212.45 in 1906, a gain of \$158,379.01, or 25 per cent.

At the port of Iloilo the collections for the fiscal year 1907 were \$596,015.85 as against \$585,329.82 in 1906, a gain of \$10,686.03, or 2 per cent.

At the port of Zamboanga the collections for the fiscal year 1907 were \$100,446.28 as against \$89,409.48 in 1906, a gain of \$11,037.80, or 12 per cent.

At the port of Jolo the collections for the fiscal year 1907 were \$82,028.30 as against \$67,214.89 in 1906, a gain of \$14,813.41, or 22 per cent.

At the ports of Jurata, Sitanki, and Balabac the collections for the fiscal year 1907 were, respectively, \$1,434.87, \$1,238.64, and \$4,718.67, as against \$1,244.00, \$104.66, and \$3,825.94, a gain of \$190.87, \$1,133.98, and \$992.74, respectively.

Taking into consideration the general depressed condition during the past three years, the collections for the fiscal year 1907 are evidence that a better commercial condition exists throughout the islands, and there are many reasons for believing that from now on conditions will continue to improve and that both the import and export trade will materially advance during the coming year. Notwithstanding the fact that there has been a general increase in customs receipts and necessarily an increase in the services performed by this bureau, there has been a material decrease in the cost of collection. The total expenditure for the operation of this bureau during the fiscal year 1907 was \$461,111.45 as against \$491,081.68 for the fiscal year 1906, representing a decrease in cost of collection of approximately 2 per cent.

COST OF COLLECTIONS.

During the past fiscal year the gross customs collections from all sources were \$8,194,708.52 as compared with \$7,553,206.06 in 1906. The gross expenditures on all accounts during the fiscal year 1907 were \$461,111.45 as compared with \$491,081.68 in 1906. This shows a decrease of \$29,900.23 in favor of the year 1907. The revenues accruing to the insular government from the 1907 collections were \$8,009,213.66, and to the Moro Province \$185,494.86.

The expenditures for all purposes during the year on account of the insular government were \$436,415.28 and on account of the Moro Province \$24,696.17.

In arriving at the percentage cost of collection throughout the islands, and for the individual ports of entry, the cost of the operation of the revenue-cutter service, immigration bureau, and inspection of hulls and boilers and harbor master has been deducted from the gross expenditures of this bureau for the reason that the same have no direct connection with the collection of customs revenues. The following statement shows the per cent cost of collections throughout the islands:

Philippine Islands, all entry ports.....	0. 048
Insular government, all ports except those in Moro Province.....	. 046
Moro Province, all ports in Moro Province.....	. 133
Manila .....	. 042
Cebu .....	. 028
Iloilo.....	. 042
Jolo.....	. 108
Zamboanga.....	. 094
Bongao ^a	5. 994
Balabac.....	. 528
Jurata.....	1. 633
Sitanki	1. 561

The per cent of cost collections shown for the port of Manila includes the cost of the insular collector's office, of supervision over the entire customs service, and of office supplies, furniture, and fixtures for the whole bureau—all these accounts being paid at the Manila office and charged against its expenditures.

^a This port is to be discontinued after September 1, 1907.

GENERAL GAIN IN IMPORT AND EXPORT TRADE.

An examination of the statistical tables found in Appendix A shows that there has been a material increase in both the export and import trade of the Philippine Islands during the year ended June 30, 1907. Special notice is invited to the fact that the balance of trade in favor of the islands has been well maintained, exports exceeding imports by \$4,461,113.

Notwithstanding a steady decrease in the importation of rice, the total value of imports increased from \$25,811,093 in 1906 to \$29,666,140 in 1907, an increase of \$3,855,047.

The increase is a general one, extending to nearly all lines of articles except rice, distilled spirits, and malt liquors, all of which show a decrease. The increase in general at all ports, Manila taking the lead with an increase of \$2,877,064 over the imports of the previous year.

EXPORTS.

The exports of the Philippine Islands show an increase from \$32,671,401 in 1906 to \$34,127,253 in 1907, a gain of \$1,455,852, or slightly more than 4 per cent.

In value the merchandise exported during the past year, excluding currency, is the largest since American occupation, being \$33,721,517 as against \$33,150,120 for the fiscal year 1903, which is the next greatest in values.

The following will show the increase of the business and the general conditions at each port of entry throughout the islands:

PORT OF MANILA.

The port of Manila is the principal port of the Philippines and during the past year there has been a material betterment in commercial and financial conditions. During this fiscal year the value of the imported merchandise passing through this port was \$24,745,311, and the value of the merchandise exported was \$24,920,715. These values represent 85 per cent of the import trade and 73 per cent of the export trade of the islands.

The gross collections at the port of Manila for the past fiscal year were \$6,605,887.66 as against \$6,160,408.01 in 1906, being an increase of \$545,479.65. The collections were divided as follows: Import duty, \$5,425,930.73; export duty, \$915,552.68; all others, \$264,404.25. This is a remarkable increase when the fact is taken into consideration that the duty on rice collected at the port of Manila decreased \$145,203 from the amount of duty collected on the same article during the fiscal year 1906.

The principal article of import was cotton textiles. The duty on this one article alone increased \$228,458 over the preceding year.

With the completion of the present works which are now under construction, together with the wharves and piers which are under consideration, Manila will become one of the most attractive ports of the Orient. Imported and exported merchandise can be handled then at a much less cost than is now possible and general commercial conditions will continue to improve. The improvements to the Pasig River from the Bridge of Spain to the mouth of the river, specially taken up in this report under the heading "The Pasig River," will be of material benefit to the coastwise trade and should receive early consideration.

The percentage cost of collection at the port of Manila and at other entry ports has been made the subject of a special article and included in another part of this report.

PORT OF ILOILO.

The value of importations at the port of Iloilo was \$1,889,113, as compared with \$1,683,172 during 1906, an increase of \$205,941, or approximately 11 per cent. The gain is chiefly in the following articles: Cattle, \$49,150; leather shoes, \$11,126; opium, \$10,400; brass and manufactures thereof, \$8,024; silk, \$9,306; soap, \$5,337; sugar, refined, \$2,707; rubber goods, \$2,094.

Notwithstanding the decrease of \$201,025 in the value of rice imported through the port of Iloilo there was a substantial gain in customs receipts, which were \$596,015 during the fiscal year 1907 and \$585,329.82 in 1906.

The demand for imported commodities is dependent upon the sugar industry, which is by no means in a flourishing condition, owing to the limited demand for this product and the low prices that have prevailed during the past year;

\$458,973.60, which is the amount of collections from imports alone, by no means represents the total importations into this collection district, as, owing to adequate transportation between Manila and Iloilo, merchants procure their supplies largely from the former port.

The export trade shows a decrease of \$397,718 in values, approximately 10 per cent less than in 1906, due to the fact that a large quantity of sugar is still held in Iloilo warehouses in anticipation of a healthier market.

The construction of stone jetties at the mouth of the Iloilo River has been completed and 645,317 cubic yards of material has been dredged during the past year, at a total cost of ₱224,396.15. These improvements enable large steamers to enter the river to discharge and load cargo at the warehouses located in the heart of the city.

Trade conditions in the Iloilo district will rapidly improve when Philippine sugar is admitted into the United States on a more favorable basis than at present.

PORT OF CEBU.

From a commercial standpoint the port of Cebu is rapidly increasing in importance. During the fiscal year the value of the importations entering at this port increased about 40 per cent as compared with the value of the importations handled during the year 1906, the principal increase being as follows: Cattle, \$9,600; flour, \$18,138; coal, \$20,997; cotton goods, \$147,905; opium, \$24,448; iron and steel, \$25,204; petroleum, \$123,390; rice, \$61,431. The exports increased in value over 1906 in the amount of \$876,144, or about 15 per cent. The value of hemp exported from this port increased \$670,137; copra, \$248,770; while sugar exported showed a loss of \$52,369.

The general reasons for the increase at Cebu are: (1) A general increase in business throughout the islands; (2) the importation direct through the port of Cebu of articles which have heretofore been imported through the port of Manila and distributed through the Visayan Islands by coastwise vessels, and in this connection it will be noted that notwithstanding the enormous decrease in the value of rice imported into the Philippine Islands, the value of that article imported through the port of Cebu was increased \$61,431 during the past fiscal year; (3) the construction of the railway lines on the island of Cebu, which has necessitated the employment of a large number of laborers who have consequently been able to spend a considerable sum of money.

The port works at Cebu are nearing completion and will be available for use before the end of the fiscal year 1908.

The collector of customs at Cebu has for the last six years been occupying a rented building which is not at all suitable for the needs of the service, and the Government should erect a customs building on the new-made land adjacent to the port works. A special recommendation regarding this building has been made with the suggestion that the necessary sum therefor be included in the appropriation bill.

PORT OF ZAMBOANGA.

The increase in business at the port of Zamboanga represents a gain of 15 per cent in the import and 52 per cent in the export trade. The value of the importations in 1907 was \$352,407 as against \$306,851 in 1906. This increase was principally made up by the following: Illuminating oil, \$8,143; flour, \$7,682; cotton goods, \$6,562; malt liquors, \$2,702; brass, and manufactures thereof, \$2,396; cement, \$1,963; together with many other articles which show a smaller percentage of gain. The importations of rice at this port decreased \$20,857 during the past year.

The value of the exports from this port was \$205,986 as against \$135,127 during the year 1906, the gain being chiefly on the following articles: Copra, \$13,659; gutta percha, \$6,515; mother-of-pearl, \$2,906; other shells, \$5,073; salt, \$3,196; hemp, \$1,519; pearls, \$12,500.

The agricultural development and progress which is being made throughout the island of Mindanao insures the increasing importance of the port of Zamboanga.

PORT OF JOLO.

The value of the merchandise imported through the port of Jolo was \$274,577 as against \$231,772 in 1906, a gain of 18 per cent. The gain at this point was chiefly on the following articles: Cotton goods, \$37,662; opium, \$8,367; iron

and steel, \$3,113; brass, and manufactures thereof, \$5,574; with a slight gain on various other articles imported. The rice imported through this port shows a decrease of \$26,590 from the importations of 1906.

The value of exports shipped through the port of Jolo was \$183,721 as against \$142,533 in 1906, showing a gain of \$41,188, equivalent to 28 per cent. This gain in value is covered chiefly by the following articles: Hemp, \$24,122; gutta percha, \$6,858; shells, \$8,495. The copra exported showed a decrease of \$14,545.

The customs building at the port of Jolo is the property of the insular government and is well adapted for this use. A complete arrastre plant is in operation at this port and has been the means of reducing considerably handling charges on both imported and exported merchandise. The operations of the arrastre plant have been satisfactorily conducted by the collector of customs and shows a fair profit for the fiscal year 1907.

PORTS OF JURATA AND SITANKI.

These two ports are considered together for the reason that they are of minor importance and were established solely for the purpose of breaking up as much as possible the smuggling of dutiable merchandise from the island of Borneo into the southern part of the Philippine Archipelago. That this object has been attained is evidenced by the continued increase of the import duties collected at the ports of Zamboanga and Jolo, as well as the collections at the ports themselves.

The importations at the port of Jurata were \$3,975 as against \$2,856 for the fiscal year 1906, an increase of 39 per cent.

The importations at the port of Sitanki were \$4,206 as against \$322 in the fiscal year 1906.

Both of these ports are fairly well located and equipped and should be maintained. It is believed that in time they will become entirely self-supporting and that they are a protection to the revenues of both the insular government and the Moro Province.

PORT OF BONGAO.

Since the establishment of the port of Sitanki, the importations of this port have decreased. The importations were \$544 as against \$1,764 in 1906. An order has been issued temporarily closing this port, to be effective September 1, 1907. An act will be prepared and transmitted to the Philippine Commission providing for the permanent closing of the port of Bongao.

PORT OF BALABAC.

The port of Balabac is located on the island of Balabac just south of the island of Palawan. This port is on the direct line of travel between the port of Sandakan, British North Borneo, and Labuan, Singapore, and was originally established as an outpost for the same reason that led to the establishment of the ports of Jurata and Sitanki.

The duties collected at this port amounted to \$4,718.87, or about double the cost of maintaining the same. It permits the exportation of the forest products gathered on the island of Palawan and the importation of various food supplies without compelling the same to pass through the port of Manila. It will undoubtedly increase in importance and should be maintained.

STATISTICS.

Since American occupation there have been imported into these islands commodities (currency excluded) to the value of \$248,567,416, and there have been exported therefrom \$243,600,886 worth of goods, so that the total excess of imports over exports is \$4,966,530. For the year last past the balance of trade was in favor of the islands to the extent of \$4,055,695, and the average balance for the last two years was \$5,087,314, so that if trade conditions remain the same for the year to come the total unfavorable balance of trade against the islands will be wiped out.

Both imports and exports have increased during the year, the former by \$3,806,850 and the latter by \$1,802,975. In other words there has been a far greater increase of imports than of exports, which is largely accounted for by the single article of cottons, which have increased by more than a million and

a half dollars. Other important items of increase are petroleum, cement, paper, opium and wheat flour.

The increase in exports was almost entirely in the single item of hemp, which showed an increase of about a million and a half dollars.

COTTON GOODS.

As above stated, the principal item contributing to the increased total of imports was cotton textiles. The total values of such cottons imported increased \$1,677,750, or from \$6,642,329 for 1906 to \$8,320,079 for the year just ended, or 25 per cent. The increase in the value of cotton goods imported from the United States was even more marked, rising from \$278,796 for 1906 to \$1,056,328 for the year just ended, an actual increase of \$777,532 in value, or nearly 400 per cent. This result is directly traceable to the amendment to the tariff of 1905 enacted by Congress on February 28, 1906. This act differentiates narrow cotton fabrics from the so-called double-width goods and thus provides a comparatively low rate of duty upon goods produced in the narrow (American) looms. Evasion by the splitting of double-width goods into narrow breadths is prevented by the imposition of a surtax upon goods thus split. This increase is not alone an increase in the value, for the quantity imported in 1907 was 23,319,593 pounds as against 19,432,973 in 1906, and the quantity of American goods rose from 791,560 to 2,895,437 pounds.

It appears that there was imported during the year raw cotton to the value of \$96,167 and that cotton yarns increased from \$1,093,097 to \$1,321,778. These two items represent substantially raw material imported for conversion into cotton cloth in the local mills. During the year these mills produced over 2,000,000 yards of cheap cotton textiles, or reduced for purposes of comparison 661,440 pounds (300,000 kilos). The local market for low-grade cottons being so well supplied by the local mills, the imports of textiles are of a higher grade than in preceding years, the average price per pound on American goods having risen from 35 cents in 1906 to 36 cents in 1907. It is believed that if further encouragement is given to the mills located in these islands they would be able in a short time to supply the entire local market with low-grade cottons.

Japan increased her sales of cotton textiles from \$220,991 in 1906 to \$394,723 in 1907, a net gain of \$173,732, or 78 per cent. The total imports of cotton goods are the largest in the history of the Philippine Islands except those of the year 1901, and constitute more than one-fourth of the entire value of the imports into the Philippine Islands.

PAPER.

Paper, including its manufactures, shows a gain of about \$100,000, having reached and passed the one-half million dollar point. In this the United States shows a slight loss compared with the trade of the previous years, furnishing less than one-fourth thereof.

OPIUM.*

The tariff revision law of 1901 provided a duty of \$3 per kilo for crude opium and \$3.50 for manufactured. By the tariff revision law of 1905 this was increased to \$4 on crude and \$5 on manufactured, in addition to which a heavy internal-revenue tax has been added and the law prohibits the importation of opium for commercial purposes after March 1, 1908. A decrease in the traffic in opium was noted in the last annual report. This does not appear to have been maintained during the year last past, notwithstanding the vastly increased price to the consumer. The excess in value of the opium imported over that for the previous year amounts to \$72,823. This may indicate an increased consumption of the drug, but it is more probable an importation for speculative purposes in view of the impending prohibition of imports. When this prohibition becomes effective, it will result in loss of duties, figuring upon the average for the last four years, of \$321,636. It is believed, however, that this loss, great as it may be, will be more than compensated for by increase in other directions.

* See p. 119 for statement of opium imported.

IRON AND STEEL.

Iron and steel, including tools and machinery made therefrom, stand third upon the list of important imports into the Philippine Islands. A slight gain over previous years is shown, the total value of such imports having reached \$2,544,992. The imports from the United States were increased by \$171,320, but the share of the United States in the traffic decreased from 38 to 33 per cent.

These figures do not include agricultural machinery, imported during the past year to a value of \$114,870, of which 47.6 per cent was from the United States, nor railway material and supplies imported on free entry, under concessions, by the railway companies now building lines in these islands. The total value of railway material imported during the year was nearly \$880,000. The importation of railway material is, of course, comparatively accidental and temporary in its nature, but the continued operation of railways in the islands will undoubtedly lead to a large increase of imports of supplies. Of the railway material and supplies imported, 57.8 per cent was from the United States.

ILLUMINATING OIL.

The importation of illuminating oil has practically doubled during the year, having increased from \$358,317 in 1906 to \$790,447 in 1907. Of this the United States sold \$272,231 worth in 1906 and \$551,699 in 1907, an actual increase of \$279,468, but the percentage of the United States in the total traffic fell from 75 to 69 per cent, while that of the Dutch East Indies, her principal competitor, increased from 12 to 25 per cent and that of the British East Indies from practically nothing to 4 per cent. Russia, which in 1906 controlled 10 per cent of the business, no longer figures in the statistical tables at all.

WHEAT FLOUR.

Fourth on the list is flour, which was imported to the value of nearly \$900,000, of which not quite \$400,000 worth came from the United States. In the early days of American occupation practically all of the wheat flour consumed in the Philippine Islands came from the United States, but Australia has been making serious inroads in the traffic, imports therefrom having steadily increased from \$9,742 in 1904 to \$518,580 for the year just ended. Australia's percentage in the total trade has thus risen from 1 per cent to 58 per cent. The reasons for this are, first and principally, the shorter haul and consequent lower freight rates; second, the fact that Australian flour is not so finely milled as American flour, and hence is both cheaper and more comparable to rice; and third, to some extent a feeling of unfriendliness, the echo of the boycott, on the part of Chinese dealers, who are the principal local retailers of this commodity, as noticed in last report. The curious feature of the last cause is the fact that a Chinaman is not a whit more welcome in Australia than he is in the United States itself. It can hardly be doubted that the application of the coastwise trade laws in March, 1909, will, by still further increasing trans-Pacific freights, give this entire trade to Australia.

RICE.*

In all past reports rice has figured as the leading single article of import. This year it falls from first to second place on the list. The tariff revision law of 1905 provides for a sliding scale of increase in duties on rice from 50 cents to \$1 per 100 kilos for husked rice, with the power granted to the Philippine Commission to withhold the application of the maximum rates. Under this law, duties have been allowed to increase to 75 cents per 100 kilos on husked rice, with unhusked rice and rice flour in proportion. As a result largely of this legislation, which has given the local producer a better price, and also of the pacification of disturbed areas, which has permitted more extensive planting, the importation of rice, which amounted in value to eleven and one-half million dollars in 1904, decreased to approximately seven and one-half millions in 1905, to four and one-third millions in 1906, and to three and two-thirds millions for 1907.

Hand in hand with the decreased rice imports is to be noted the great increase in the importation of wheat flour, which points unmistakably to a rising standard of life in these islands. At the same time it should be noted that the population is steadily increasing, so that there are each year more mouths to feed.

* See p. 119 for statement of rice imported.

and it is clear that the increase in flour alone is not sufficient to balance either the normal increase of population or the decrease in rice imports. This can have but one explanation, and that is that a larger acreage is each year laid down to rice than the year before, and gives basis for the hope that in the near future the islands will produce not only sufficient rice to feed their own population but also a surplus for export.

In 1904 the value of imported rice alone amounted to more than one-third of the entire value of all imports into the Philippine Islands, whereas for the year just closed it was but one-eighth thereof.

MALT LIQUORS

The importations of malt liquors have steadily fallen from the million-dollar trade of 1901, when they stood third in importance upon the list of imported commodities. The total value for the past year was only \$141,838, or 40 per cent less than the figures for the preceding year. For this decline there is a double cause: First, an actual reduction in consumption due to the decrease in the numbers of the American colony, including the Army; and second, a very marked increase in local production. In fact, the local breweries have begun to export their product and sent domestic beer abroad to the value of \$225 during the last year. While the actual amount exported is comparatively insignificant, it is entirely possible that this year is the beginning of an era in which the local market for standard grades of malt liquors will be controlled by local breweries, and it is to be hoped that a constantly increasing market may be found abroad. The drawback provisions of the tariff of 1905 are such as to permit of the use, duty free, of all raw materials used in exported liquors, and it would seem that a brewery located in these islands, where labor is comparatively cheap, should be able to meet competition, in the Orient at least.

WINES.

The importation of wine has increased from \$173,580 to \$195,898. Wine is consumed by the European population and to a growing extent by the Filipinos, so that the increase in the wine imports, as in the case of flour, points to a rising standard of life. Wine is consumed in these islands as a table beverage rather than for purposes of intoxication, hence a more favorable arguery can be drawn than would be the case were the same figures to prevail in respect to imports into such a country as the United States.

DISTILLED SPIRITS.

The importation of distilled spirits shows a slight gain, but the trade of the United States is actually and relatively less than in preceding years. The proportionate share of the United States is in value about 25 per cent of all, as against 28 per cent for 1906. It is expected that the operation of the pure-food law will revolutionize this trade, and by barring out on the one hand all adulterated products and on the other compelling American distilleries to produce only unadulterated goods, will give this trade very largely to the United States.

HEMP.

As heretofore, hemp constitutes the chief article of export, having risen in importance from 45 per cent in 1899 to 61 per cent as shown by the table below. The value of the hemp exported increased from \$19,446,769 in 1906 to \$21,085,081 in 1907, a gain of \$1,638,312. This is to be in part accounted for by a rise in the price of this staple from an average of \$176 per ton to \$187, thus giving to the planter a greatly enhanced profit, acre for acre, over previous years. The advance, however, is not wholly in values. In 1906 110,399 tons were exported, and in 1907 112,895, a gain of 1,496, thus showing that a much larger acreage is devoted to hemp than heretofore.

More than half of all hemp exported found a market in the United States.

The following table shows the movement of hemp since the date of American occupation :

Hemp exported, 1899 to 1907, inclusive.

Fiscal years.	All countries.		Per cent of total exports.	To the United States.		Value per ton.
	Tons.	Value.		Tons.	Value.	
1899.....	58,898	\$6,185,393	0.451	22,703	\$2,436,169	\$105
1900.....	75,496	11,393,883	.520	25,358	3,446,141	151
1901.....	110,443	14,453,110	.546	17,872	2,402,867	131
1902.....	108,237	15,841,318	.583	44,810	7,261,459	146
1903.....	130,159	21,701,675	.547	70,526	12,314,312	167
1904.....	129,742	21,794,960	.588	60,912	10,631,591	165
1905.....	128,564	22,146,341	.596	72,196	12,964,515	172
1906.....	110,399	19,446,769	.595	61,088	11,168,226	178
1907.....	112,895	21,085,081	.617	57,469	11,326,364	187

COPRA.

Second only to hemp in importance as an article of export is copra, which showed an increase in value of about \$10,000. The actual amount exported has, however, decreased from 145,851,913 to 108,206,130 pounds. Conversely the value per pound has risen from 2.7 to 3.7 cents. The total value of copra exported for the year was \$4,053,193, of which only \$108,086 worth went to the United States. This, however, is three times as much as found a market in the United States for all years combined since American occupation. The practical effect of the act of March 8, 1902, providing a refund of export duties upon commodities admitted into the United States free of duty is to assess export duty only upon such products as are consumed in foreign countries, and it is difficult to understand why the operation of this law has not been to throw the copra trade as heavily in favor of the United States as has been the case with hemp. The shipments of the past year, over 1,000 tons, are too heavy to be regarded as experimental only, and it may well be that a permanent market has at last been found in the United States for this important commodity.

The following table shows the movement of copra for the fiscal years 1899 to 1907, inclusive:

Copra exported.

Fiscal years.	All countries.		Per cent of total export.	To the United States.	
	Pounds.	Value.		Pounds.	Value.
1899.....	30,968,544	\$356,870	0.047		
1900.....	81,749,665	1,690,897	.078		
1901.....	115,807,370	2,648,305	.10	227,689	\$4,450
1902.....	43,401,486	1,001,666	.036	104	7
1903.....	215,234,046	4,472,679	.112	134,629	9,173
1904.....	119,341,506	2,527,019	.070	383,660	9,231
1905.....	82,797,227	2,095,352	.056	452,118	14,425
1906.....	145,851,913	4,043,115	.123		
1907.....	108,206,130	4,053,193	.118	2,446,156	108,086

COCOANUT OIL.

A factor which may account in some measure for the decrease in quantity of copra exports is the fact that local mills now express cocoanut oil from copra and send it abroad in its more advanced condition. During the past year 109,235 gallons of oil valued at \$50,662 were exported. It is understood that the interests responsible for the great bulk of the exports of cocoanut oil propose to introduce machinery for the desiccation of cocoanut and also for the production of soap. Should this be the case, it would probably mean that the quantity of copra exported in future would be still further diminished. At the present time coir, as the fibrous husk is termed, is practically a waste product in these islands. This is susceptible of manufacture into various commodities and would seem an inviting field for exploitation by capital.

SUGAR.

Sugar still holds third place as an article of export, being shipped principally from the port of Iloilo. In fact it constitutes 97 per cent of all exports from that place. The exportation of sugar declined in value from \$4,863,865 in 1906 to \$3,934,460 in 1907, a loss of \$929,405. The trade with the United States suffered in about this proportion. This falling off is principally attributable to the general depressed condition in the world's market. It is understood that the actual production is not materially less this year than last, but that larger quantities are being held for an anticipated rise in the market, in warehouses at various points. Moreover, the actual number of tons exported this year is greater than in any year since American occupation, save only 1906, so that aside from the low market caused by peculiar and it is hoped purely transient conditions, the situation is not necessarily discouraging.

A second cause for the decreased exportation of crude sugar is to be found in the activity of a local refinery located near Manila, which during the year produced 1,895 tons of refined sugar. Refined sugar was imported into these islands in 1906 to the amount of 1,157 tons and in 1907 to the amount of 1,508 tons, a trade which ought to be in the hands of the local refiners since it is probable that practically every ton imported as refined was originally produced upon Philippine soil and exported crude.

The following table shows the movement of sugar from 1899 to 1907, inclusive:

Sugar exportations.

Fiscal years.	All countries.		Per cent of total exports.	To the United States.	
	Tons.	Value.		Tons.	Value.
1899	13,246	\$520,085	0.088	2,308	\$143,500
1900	77,073	3,000,501	.123	141	21,000
1901	55,601	2,233,059	.080	2,119	98,472
1902	60,787	2,761,432	.10	5,148	208,354
1903	109,889	3,955,828	.069	33,991	1,335,826
1904	73,977	2,668,507	.072	11,443	854,144
1905	111,850	4,977,028	.134	56,948	2,618,467
1906	123,813	4,863,865	.148	7,187	290,104
1907	118,396	3,934,460	.115	6,506	234,074

TOBACCO.

Tobacco holds fourth place in the list of exports. As in the case of other staples, the present year shows a notable increase over the preceding, the value of the exported tobacco having risen from \$2,389,890 to \$3,129,194, a gain of \$739,304. From the tables below it will be noticed that this gain is common to the entire tobacco schedule, the quantity of unmanufactured tobacco having risen from 21,470,345 pounds to 30,133,080 pounds, making the year's figures the greatest since American occupation. The cigars exported have also risen from 93,136 thousands to 116,719 thousands, which, while not the greatest export of cigars since American occupation, is the greatest since 1903. Cigarettes have increased from 18,892 thousands to the phenomenal total of 152,777 thousands, or 808 per cent. It is significant that no unmanufactured tobacco was sold to the United States and only 1,593 thousand cigars, actually less than 1 per cent of all the cigars exported. The discrepancy is even more manifest in the matter of cigarettes, only 128 thousands out of 152,777 thousands having found a market there. In brief, the United States buys but eight-tenths of 1 per cent of all the tobacco exported from these islands, and it is perfectly manifest that the 25 per cent differential given by the act of Congress of March 8, 1902, is not sufficient to influence this trade in the slightest.

The figures given in the tables below ought really to be augmented by 1,481,640 cigars, and 360,495 cigarettes taken on board ship on permit, mostly for consumption by departing passengers during their voyage. The total value of goods thus taken out of the islands approximates \$20,000.

The following tables show the movement of tobacco and manufactures thereof from 1899 to 1907, inclusive:

Exports of cigars, cigarettes, and all other tobacco for the fiscal years 1899 to 1907, inclusive.

CIGARS.

Fiscal years.	All countries.		Per cent of total exports.	To the United States.	
	Thousands.	Value.		Thousands.	Value.
1899	167,991	\$1,294,653	0.067	1,810	\$7,162
1900	219,098	1,189,942	.054	532	1,885
1901	149,496	1,260,175	.047	1,335	5,027
1902	225,420	1,666,822	.06	464	8,539
1903	119,721	947,246	.024	352	3,866
1904	104,803	968,869	.026	96	1,795
1905	95,739	971,177	.026	728	6,790
1906	93,136	904,250	.026	1,288	23,405
1907	116,719	1,051,621	.030	1,593	26,067

CIGARETTES.

Fiscal years.	All countries.		Per cent of total exports.	To the United States.	
	Thousands.	Value.		Thousands.	Value.
1899	4,869	\$525			
1900	15	1,753			
1901	7,844	11,092	0.0004		
1902	7,189	9,995	.0003	47	\$76
1903	20,502	20,699	.0005	5	3
1904	11,804	12,586	.0003	14	27
1905	14,637	16,404	.0005	134	30
1906	18,892	16,801	.0005	126	88
1907	152,777	104,268	.003	128	216

ALL OTHER TOBACCO.

Fiscal years.	All countries.		Per cent of total exports.	To the United States.	
	Pounds.	Value.		Pounds.	Value.
1899	13,357,924	\$917,536	0.067		
1900	18,334,064	989,439	.045		
1901	17,986,905	956,451	.036		
1902	21,846,686	824,660	.03		
1903	20,747,241	913,815	.023	244,377	\$42,296
1904	19,142,232	1,031,832	.028	211	35
1905	16,310,432	1,008,060	.027		
1906	21,470,345	1,468,839	.044	110,120	7,510
1907	30,133,080	1,973,305	.057		

Per cent of tobacco exported to the United States to the total tobacco exports.

- 1901: 0.002, or two-tenths per cent.
 1902: 0.003, or three-tenths per cent.
 1903: 0.024, or two per cent.
 1904: 0.0009, nine-hundredths of 1 per cent.
 1905: 0.003, or three-tenths per cent.
 1906: 0.012, or one and two-tenths per cent.
 1907: 0.008, or eight-tenths per cent.

HATS.

It will be noted that the exports of the islands are very largely agricultural—crude, or advanced not more than one stage from the crude state. Of special significance, therefore, is the item of hats, which were exported to the value of \$206,025. These hats are mostly of very high grade, comparing favorably with the so-called Panama hat, are very cleverly made, and in themselves clearly demonstrate the natural aptitude of Filipinos for the production of such

fine wares. The business does not appear at present to be especially organized, the hats being made in the homes of the people rather than in factories, but it is an industry of great promise and one which should receive every possible encouragement.

SALT.

Salt was exported during the past year to the value of \$4,280. The significant fact in connection with this item is that \$3,950 worth comes from the port of Zamboanga, where the production of salt is a new but steadily growing industry. Three hundred and thirty dollars worth was exported from Manila, being presumably the product of Malabon evaporating beds. During the year there was imported salt to the value of \$2,321, a trade which ought to be in the hands of the local producers; that is to say, of Zamboanga.

Salt pays a duty of 20 cents per 100 kilos when crude and 50 cents per 100 kilos when ground, powdered, or otherwise manufactured, and the fact that Zamboanga has been able to supply its local needs and furnish so large a surplus for export would seem to argue that the rates imposed were sufficient for the protection of the local producers.

TRADE WITH THE UNITED STATES.

It would seem reasonable to suppose that American trade would naturally follow the American flag.

The Philippine Islands, being under the influence, guidance, control, and support of the United States, and to all intents and purposes United States territory, the natural presumption would be that rapid growth of American trade with the islands would result.

While growth in such trade has not been so rapid as might reasonably have been expected, judging from trade conditions in outlying possessions of the British and other governments, considerable headway has been made.

The fact that it has not been more rapid is partly explained by a different governmental policy.

In Hongkong, the Straits Settlements, Aden, Gibraltar, and other British ports, a person would have a difficult task if required to find a yard of American made cotton textile or a ready-made garment of any kind, under or outer, of American make, or in fact any other article of American make.

Even in the chief port of the Philippine Islands, under American control, American commodities in many lines were until recently almost as scarce as in British ports, but the statistical tables show that the natural results of American occupation are beginning to be made manifest in trade, a material increase being shown during the year ended June 30, 1907.

For the year just closed the export and import trade with the United States aggregated \$17,746,618, or 27 per cent of the entire export and import trade of the Philippine Islands, which was \$63,793,393.

The total imports from the United States in 1907 were valued at \$5,664,254 as against \$4,333,917 during the previous year.

The exports to the United States increased from \$11,580,569 in 1906 to \$12,082,364 in 1907.

Cotton textiles from the United States increased from \$278,796 in 1906 to \$1,056,328 in 1907, a fourfold increase.

Iron and steel increased from \$603,016 in 1906 to \$864,336 in 1907, an increase of \$171,320.

Illuminating oil increased from \$272,231 in 1906 to \$551,600 in 1907, an increase of \$279,468, or more than 100 per cent.

Paper, and manufactures of, show an increase of \$19,561 over the previous year.

A material increase is shown also in the importation of leather boots and shoes from the United States, amounting to \$44,195.

Many of the minor commodities also show a varying increase.

A decline is shown in the importation of flour, distilled spirits, and malt liquors from the United States.

EXPORTS.

Hemp exports to the United States increased from \$11,168,226 in 1906 to \$11,326,864 in 1907, a gain of \$158,638.

Copra was exported to the United States in 1907 to the value of \$108,086 as against nothing in 1906.

Maguey increased from \$214,115 in 1906 to \$283,424 in 1907.

Other increases are shown in miscellaneous articles of minor importance.

Sugar decreased from \$260,104 in 1906 to \$234,074 in 1907, as a result of a prohibitive duty; and tobacco exports for the same reason fell from \$31,003 in 1906 to \$26,283 in 1907.

IMPORTATION OF FOOD PRODUCTS.

There were imported into the islands large quantities of ordinary food products which might be and ought to be produced here. During the past year the value of these products amounted to \$5,619,925, as follows: Rice, \$3,663,493; beef cattle, \$965,945; eggs, \$259,377; fresh beef, \$242,621; fresh pork, \$32,240; fresh mutton, \$16,110; fresh milk, \$26,411; fresh vegetables (including potatoes and onions), \$423,728.

It will be noticed that the above list includes nothing that can not be locally produced. The production of rice is largely increasing each year and it is confidently believed that within the next five years the local supply will quite equal the demand. The raising of cattle should be encouraged and fostered, and the people, especially those in the provinces adjacent to the large markets, should be induced to cultivate vegetables, fruits, and farm products. Indeed, an effort should be made to inform small landholders of the value of these products and of the ready and constant sale for the same.

In addition to the above food products, canned meats, fruits, and vegetables are imported in large quantities and the importation of this class of foods will probably necessarily continue for years to come.

REFUND OF DUTIES ON HEMP EXPORTED TO THE UNITED STATES.

The duties paid on hemp exported to the United States for consumption amount to approximately \$500,000 per year. These duties are refundable under conditions prescribed in regulations, and each year constitute a material loss to the revenues of the insular government without the citizens of the islands deriving any benefit whatever therefrom. This for the reason that the money refunded is at once transmitted to the purchaser in the United States, and neither the Philippine exporter nor the grower of the hemp participates in the drawback paid by the government. The following table shows the amount of export duty subjected to refund collected from 1902 to 1907, inclusive:

Refundable export duties, fiscal years 1902 to 1907, inclusive.

Fiscal year.	Manila.	Cebu.	Total.
1902.....	\$35,846.83	\$35,717.86	\$71,064.69
1903.....	410,946.43	116,281.67	527,228.10
1904.....	378,213.07	84,220.76	462,433.83
1905.....	876,185.12	110,380.44	986,575.56
1906.....	347,286.13	66,066.66	413,352.79
1907.....	327,836.82	105,621.76	433,458.58
Total for Manila, fiscal years 1902-1907, inclusive.....			1,875,834.40
Total for Cebu, fiscal years 1902-1907, inclusive.....			588,918.15
Grand total.....			2,414,752.55

The previous recommendations made by this office that this part of the act of Congress of March 8, 1902, be repealed, are hereby renewed.

EXPORTATION OF PHILIPPINE SILVER COIN.

During the past year the bullion value of the Philippine silver peso rose until it reached at times 12 per cent more than its money value, and persistent effort was made to export these coins in large quantities to Chinese ports, where a ready market was to be found. Act No. 1411 prohibits the exportation of Philippine silver coins in sums greater than 25 pesos carried by passengers leaving the islands, and every effort was made by this office to enforce the provisions of the act referred to. Between December 1, 1906, and June 30, 1907, ₱25,000 were seized by customs secret-service agents in the act of being illegally

exported, and the various shipments have been proceeded against as provided by law. The vigilance of customs officers charged with this duty made it dangerous to attempt the exportation of silver coins, and it apparently ceased.

VIOLETIONS OF CUSTOMS-REVENUE LAWS.

During the past year no serious violations of the customs-revenue laws were detected. In December, 1906, one firm of importers was required to pay into the insular treasury the sum of ₱10,000 for certain evasions of the law during the year 1900. Another case involving ₱40,000 and dating back to the year 1901 is in process of settlement and payment will be enforced by suit if necessary.

GENERAL IMMIGRATION.

On February 20, 1907, Congress passed a new general immigration act to become effective in these islands on July 1, 1907. The principal changes from the old law were summarized in Chinese and Immigration Circular No. 188.

Under this act beginning January 1, 1909, a radical change is made in the law regarding accommodation on passenger vessels from foreign ports, by providing that a certain amount of deck and air space shall be allotted to each passenger. This law will have a far-reaching effect upon the coolie traffic between this port and Hongkong and Amoy, and can hardly fail to result in a great increase in the price of steerage passage. If it also necessitates an increased fleet to handle the trade, doubtless the results to this port, and especially to freight shippers and consignees, will be favorable. It is as yet too early to foretell what the exact result of the new legislation will be.

Prior to March 6, 1907, no regulations for the administration of the immigration and Chinese exclusion laws had been promulgated in the Philippine Islands. On that date Chinese and Immigration Circular No. 186, providing a set of regulations, was issued by this office after approval by the secretary of finance and justice. These regulations are based on United States regulations, but are more liberal in the matter of rehearings and appeals.

Statistical tables covering the subject of immigration and emigration will be found in Appendix A. The chief comment thereon is in respect to the steadily decreasing immigration of Americans, the number of arrivals having fallen from 7,647 to 3,058, while the departures have risen from 1,833 to 2,028. Japanese immigration, while slightly more than last year, continues insignificant, although for the three years of 1903, 1904, and 1905 Japanese immigration was third in importance, being exceeded only by the Chinese and American. The number of Japanese arriving in 1906 was 277, departing 371, a loss of 94; and for 1907 the number arriving was 374, departing 318, a gain of 56, making a net loss of 38 for the two years.

The total immigration for the year was 13,898 and the total emigration 11,724, which, taking into account loss from deaths, would seem to indicate that the foreign community in these islands is about stationary in numbers. It certainly is not growing as rapidly as the normal increase in population among the native inhabitants.

CHINESE IMMIGRATION.

Of the 573 ships boarded by the immigration inspector during the year, 442 had Chinese crews or Chinese transit passengers on board to the total number of 24,636, who had to be checked off, both on arrival and departure, by the immigration officers.

During this year there were manifested to this port on incoming vessels 7,379 Chinese persons. Of these, 1,565 came before boards of special inquiry, while the balance, 5,814, were returning residents who possessed custom-house certificates evidencing their right to return and were landed by inspectors' examination. Of those passed by boards there were 320 persons of the exempt class coming on section 6 certificates, including 208 actors, 973 minor children (of whom only 35 were females), 37 wives, and 163 others, including 10 American resident Chinese, 1 Hawaiian, 105 born in the Philippine Islands, 17 resident merchants concerning whom there was some question, such as disease, loss of papers, etc., 4 Chinese officials, and 26 laborers, mostly overtime or medical cases; 72 cases were on July 1 undecided (37 of these being trachoma cases).

Comparison with fiscal year 1906 shows that the number of Chinese arriving for the first time with section 6 certificates has increased from 84 to 320; or, deducting actors, and referring to the class composed substantially of merchants only, it has risen from 55 to 112. Of these, Amoy contributed 28, Hongkong 3, Canton 4, Foochow 72, Shanghai 4, Formosa 1, as against Amoy 42, Hongkong none, Canton 1, Foochow 5, Shanghai 5, Formosa 2, for the fiscal year 1906. That is to say, the great increase in the number of merchants was almost wholly chargeable to Foochow and was directly traceable to the activities of an emigration promoting company located at that port, known as the Pu An Guaranty Company. It is significant that of the 72 from Foochow, 59 were under 30 years of age and 26 of these under 25. Only 6 were over 40. The Pu An Guaranty Company has now been suppressed and it is presumed that the influx of alleged merchants will drop to about the normal figures, which should be, especially during comparatively hard times in these islands, not over 40 or 50 per annum from all these ports together.

MINOR CHILDREN.

Prior to October 28, 1904, the decision of the Supreme Court of the United States in *In re Mrs. Gue Lim* (176 U. S., 459) had been construed by this office to apply only to such children as were of tender years and needed the parental control and guidance as a matter of humanity; this was assumed to be 16. On that date the age limit was raised by order of the secretary of finance and justice to 21, to conform to the rule current in the United States. It is manifest that this liberality is being abused. During the fiscal year 1906 there applied at this port for admission 511 Chinese children, of whom but 49 were over 16 years of age. In 1907 there applied 938 minors, of whom 124 were over 16 years. Of these 938, as above stated, 35 only were daughters. Several cases have come to the attention of this office in which children imported as legitimate minor sons or daughters were subsequently found to have been slaves, and one such case, that of Chan Hoi Man, has been made the subject of criminal prosecution. The business of importing minor "sons" has assumed large proportions at this port and so affects the figures that instead of a decrease in Chinese population, which was the obvious intent of the system of exclusion laws of Congress, as also of act No. 702 of the Commission, the number of arrivals greatly exceeds the number of departures. It is incontrovertible that a number of the minor sons became clerks, porters, laborers, coolies, etc., and thus entered into active competition with the Filipino people, for whose protection the exclusion laws have been applied to these islands. The present liberality of interpretation of the laws so far as they relate to minor children has not only built up a slave trade, but is actually defeating the salutary purposes of the legislation as a whole and gives to the natives of these islands a shadow of protection against wage competition when it was intended that they should have the substance. It virtually admits to the local labor market large numbers of their most dangerous rivals and not only that, but young men who are in or approaching their prime, the competition most to be feared. At first the great majority of the merchants who applied for recognition as such for the purposes of child importation were from Manila but now the provinces furnish the majority, notwithstanding they contain the minority of the Chinese population. This curious fact could be accounted for on the theory that the provincial merchants were sending for their sons as soon as the conditions in their respective provinces were sufficiently settled to permit them to enjoy the society of their children without danger to the latter. It is probable, however, that it is for the reason that it is easier to prepare a fictitious case in the provinces where there are no immigration inspectors than in Manila where each case is carefully investigated.

Steps are being taken to weed out as far as possible the fraudulent provincial cases and it is recommended that the age limit be restored to 16 years on account of the peculiar local conditions.

Applications for merchant papers.

Year.	City.	Prov- inces.	Total.	Percent- age provin- cial.
1902 (8 months).....	457	155	612	25.32
1903.....	687	527	1,214	48.41
1904.....	656	900	1,556	47.77
1905.....	632	642	1,274	46.06
1906.....	679	702	1,381	50.83
1907 (8 months).....	485	515	1,000	51.50

Chinese population.

Year.	Basis.	Manila.	Prov- inces.	Total.
1899.....	Estimated.....	23,000	17,000	40,000
1902-3.....	Census.....	21,068	19,962	41,030
1903-4.....	Registered.....	27,189	22,474	49,663
1907.....	Board of health.....	18,028	-----	-----

The board of health's mortality figures show that the Chinese in Manila die at the rate of 18.34 per thousand. That is to say, taking the registration figures as authoritative, 890 Chinese must have died each year since 1903. Excess of arrivals over departures has never been less than 1,200 per annum, so that the Chinese colony notwithstanding deaths is increasing almost as rapidly as if no exclusion laws were in force. Indeed it may be seriously doubted whether 1,200 Chinese persons would come to these islands per annum were it not for the high wages caused by the exclusion law itself.

REJECTIONS.

The actual working out of the present liberal policy toward Chinese immigrants is well exemplified by the figures in respect to rejections.

During the fiscal year 1904, 156 out of 602, or 26 per cent, of the Chinese detained for board of special inquiry were rejected; in 1905, 38 out of 464, or 8 per cent, of those so detained were rejected; in 1906, 19 out of 701, or a little less than 3 per cent; in 1907, 71 out of 1,565, or apparently 5 per cent. But of the 71 rejected, 36 were rejected as being afflicted with loathsome or dangerous contagious diseases, principally trachoma, and 35 for other causes. Of the trachoma cases nearly all have been cured in China and returned here, so that the actual number of final rejections is only about 2½ per cent.

It will be observed that the number of cases to be examined by the board has more than doubled, while the percentage of rejections has fallen from a maximum of 26 per cent to 2½ per cent. There is no reason to believe that there are fewer fraudulent cases now than in 1904.

Tables showing the number of arrivals and departures of Chinese persons (among others) during the last four years will be found in Appendix A of this report.

By Chinese and Immigration Circular 183, issued December 15, 1906, the provisions of the United States general immigration act of March 3, 1903, including the exclusion of persons afflicted with loathsome or dangerous contagious diseases, were applied to Chinese. This action of the office has been questioned in the local courts by means of the writ of habeas corpus, and the issue is now pending on appeals taken in some instances by the alien and in others by the government before the supreme court of these islands.

On April 3, 1907, Chinese and Immigration Circular No. 187 was issued regulating the manner of enforcing section 9 of the act. Section 9 provides a penalty for bringing to the United States (including the Philippine Islands) any alien who is afflicted with an "excludable" disease, the presence of which could have been detected by proper medical examination at the port of departure. Since the promulgation of this circular there have been no new habeas corpus cases and it has not been necessary actually to impose any fines for violation of the law, the shipping firms having cooperated to secure the enforcement of this salutary legislation.

CONSULAR FUNCTIONS.

For certain purposes, this office occupies the position of an American consulate in a foreign country. Thus by section 84 of the act of Congress of July 1, 1902, the laws relating to seamen on foreign voyages were made applicable to seamen on vessels going from the United States to these islands, and the customs officers were directed to perform the duties imposed upon consular offices in foreign ports, and under the provisions of the act of June 28, 1906, the duty of authenticating invoices of goods shipped to the United States was also imposed upon the customs service. Under the former law this office ships and discharges seamen on American vessels at this port, adjudicates controversies, and generally does all things possible to protect American seamen, and to facilitate the operation of commerce in American bottoms. There is, however, no machinery for the enforcement of any decision which this office may make in a controversy between officers and crew on a vessel bound for this port, and the difficulty of dealing solely by means of moral suasion with deserting and insubordinate American seamen has not lessened, and the legislation heretofore urged to place this "consulate" on a plane with other consulates at this port is urgently needed.

Recently the captain of a Government transport discovered, as does the skipper of every American merchantman who makes this port, that if his whole crew should abandon the vessel here he would be without remedy.

A further defect in present law may here be pointed out. If a high crime should be committed on an American vessel bound to this port while on the high seas, the accused could not be tried here because under act No. 400 the local courts have no jurisdiction over such cases. (U. S. v. Fowler, 1 Phil. Rep., 614.) It is a question whether he could be arrested and shipped to any other place for trial; that is to say, whether he is technically a "fugitive from justice." He could not be detained here more than twenty-four hours, because he has violated no local law and no criminal charge could be laid against him. Apparently the only remedy for even murder would be to keep the accused in irons on board his own vessel until such time as she entered a port of the United States proper or a consulate having extraterritorial jurisdiction.

It would seem that if the crime were committed in territorial waters on an American ship the result under act No. 400 would be the same as if it were committed on the high seas. It would be an interesting question whether a man who committed such a crime on even a British vessel either bound for this port or actually within the 3-mile limit and who afterward escaped to the shore would not be able to avoid all punishment through the mere technicality of the law.

It is recommended that act No. 400 be amended to show clear local jurisdiction over all crimes committed on shipboard within jurisdictional waters as well as those committed on alien as on domestic craft. Congress should, in addition, make the insular courts district courts within the meaning of Revised Statutes, section 730. This would permit trials on the spot by a tribunal of the nation at a time and place when the witnesses are available and would obviate the expensive necessity and hardship to innocent witnesses of sending both the accused and them back to the United States.

REVENUE-CUTTER SERVICE.

From July 1 to December 31, 1906, six revenue cutters were kept in the service of patrolling the coast line, especially throughout the southern islands, and in general customs supervision in the various collection districts. On January 1, 1907, the cutters in service were reduced to four, which are located as follows: Customs cutter *Sula* at Jolo, for duty in and about the Jolo Archipelago; customs cutter *Scoter* at Balabac, for duty between the island of Borneo and islands of Palawan and Cagayan de Jolo; customs cutter *Skua* at Iloilo and Cebu, for duty in those two collection districts; and customs cutter *Sora* at Manila, for duty in the Manila collection district. Masters of revenue cutters are authorized under the laws to go on board any vessel within Philippine waters, to search the same, and to seize vessel or merchandise in case any violation of the customs laws is detected. Under this authority masters have boarded numerous small vessels in southern waters and taken the same into the nearest port of entry for settlement of the case.

The type of vessel at the disposal of this office for this work is not fitted to the service required. They are too small and too slow and can not get the

results that larger and faster vessels could obtain. It is recommended that the vessels now in use be withdrawn from this service and transferred to the Bureau of Navigation, and that two vessels especially adapted to the revenue-cutter service be purchased for this work. These vessels should be at least 140 feet in length, with a maximum speed of not less than 16 knots per hour. Two such vessels could render better service and secure greater results than the four vessels now employed, and could be operated at less expense.

No doubt exists that merchandise in considerable quantities is finding its way into the southern ports from the island of Borneo and other adjacent islands; and indications lead to the conclusion that Chinese of the coolie class also enter the Philippines from these places. Every effort is being made to break up these practices, and customs cutters have been kept constantly on guard. That something has been accomplished is evidenced by the increased customs receipts at Zamboanga, Jolo, Jurata, Sitanki, and Balabac.

PERSONNEL.

The proportion of Filipino employees in the classified service, Manila custom-house, has increased from 60.5 per cent in 1906 to 65 per cent on June 30, 1907. Of the total employees on June 30, 1907, 75.5 per cent were Filipinos, as against 70.3 per cent in 1906. Of the unclassified employees all are Filipinos.

The following table shows the personnel of the Manila custom-house for the fiscal years 1901 to 1907, inclusive:

Fiscal year ended June 30—	Classified.		Unclassified (Filipinos).	Total.		Grand total.
	Americans.	Filipinos.		Americans.	Filipinos.	
1901.....	115	187	74	115	261	376
1902.....	168	206	111	168	317	485
1903.....	200	222	98	200	320	520
1904.....	219	218	173	219	391	610
1905.....	194	272	146	194	418	612
1906.....	188	288	157	188	445	633
1907.....	142	261	175	142	436	578

During the past year, four positions have been made for Filipino employees as examiners of merchandise in the appraiser's division, additional clerkships for Filipino employees have been made in the marine, statistical, and correspondence divisions, and a number of Filipino girls have been employed as typewriters and rendered good service. Throughout the service, chiefs of divisions have been instructed to give special attention, instruction, and training to Filipino employees, so that they will be competent to fill vacancies in the higher clerkships as the same occur. As fast as vacancies do occur in the list of inspectors, clerks, and other positions they will be filled by Filipinos if possible.

During this year there were 41 separations from the service by Americans, owing to resignation, discharge, death, or transfer, or about 27.5 per cent of the entire number employed at the beginning of the year; while 53 Filipinos, or about 18.7 per cent of the entire number employed, were separated from the classified service. As 27.5 per cent of the entire American force were separated during the year, their average period of service was only six months; a computation of these figures will show that the average period of service of all American employees is only twenty-two months. While this state of affairs is an improvement over recent years, it is still far from satisfactory, for the reason that, owing to the technical knowledge necessary in the customs service, a new employee seldom attains any considerable degree of efficiency in less than one or two years. The principal reasons assigned by employees for making these changes are, dissatisfaction with the salaries paid, expense of living in Manila, climatic conditions, and lack of amusements to which they have grown accustomed in the United States; and for these reasons it is becoming increasingly difficult to secure and keep reliable men.

GOVERNMENT COALING STATIONS.

Coaling stations have been maintained during the year at 13 different ports, and 9,255 tons of coal were furnished to Government vessels as follows:

	Tons.	Pounds.
Bongao -----	101	371
Cebu -----	2,212	1,064
Iloilo -----	1,104	75
Jolo -----	229	1,915
Puerto Princesa -----	172	1,209
Romblon -----	332	1,794
Tacloban -----	1,954	791
Zamboanga -----	3,027	1,040
Capiz -----	6	1,120
Dumaguete -----	34	-----
Surigao -----	68	-----
Lucena -----	-----	-----
Escalante -----	12	-----
Total -----	9,255	419

Capiz, Panay; Escalante and Dumaguete, Negros; Lucena, Luzon, and Surigao, Mindanao, have been discontinued as coaling stations, and when the supply at these points is exhausted it will not be renewed.

The coal supply at Iloilo, Cebu, Zamboanga, Jolo, and Bongao is under the charge of the collectors of customs at these ports; the remaining stations are in charge of various provincial or constabulary officers, who handle the business under the supervision of this office. Coal is supplied to government vessels at cost price at the point of sale, with a surtax sufficient only to cover cost of handling. If it develops that additional coaling stations are necessary to furnish government vessels with an economical coal supply, such stations will be established as the needs of the service demand.

COASTWISE TRADE.

During the past fiscal year there has been a decided improvement in the coastwise carrying trade. The tonnage carried into and out of ports of entry has materially increased and the movement of coastwise vessels has been more constant. During the year there were 7,963 entrances as against 7,528 in 1906, with 8,046 clearances as against 7,569 in 1906. The tonnage entered was 894,189 tons as against 770,271 in 1906, and the tonnage cleared was 899,915 tons as against 774,032 in 1906. The above statements refer only to ports of entry, and do not include cargoes carried between interior ports. The improvement in the coastwise trade is a reflex of the general betterment of commercial conditions and also an evidence of increased production and industry. During the year licenses were issued to 111 steam, 252 sail, and 541 lighterage and harbor vessels, the license fees collected from this source amounting to ₱75,386.08.

The system of assigning official numbers and signal letters to coastwise vessels has been continued through the year; a detailed report of these will be found in Appendix B.^a

Seven vessels of over 100 tons gross burden and 71 of less than 100 tons gross burden were lost at sea during the year. A report showing these vessels by name, owner, class, tonnage, and date lost is also included in Appendix B.^a

The contracts made by the Insular government with various vessel owners to cover certain parts of the islands with vessels sailing on regular schedules has had a beneficial effect on the coastwise trade, furnished regular communication with many outside ports, stimulated business, and improved the service furnished. The opinion is expressed that the routes should be extended and the number of ports touched at increased. Both passenger and freight rates have been lowered as a result of this service and improved conditions.

^a Appendix B has been omitted and is on file in the Bureau of Insular Affairs, War Department.

LICENSING OF VESSELS.

By section 117 of the administrative act as amended by act No. 1235 the right to engage in the coastwise trade is prohibited to aliens, but permitted to any citizen of the United States or of the Philippine Islands or to any "corporation or company" organized under the laws of any of the United States or of the Philippine Islands. Under this law it has been held that a corporation "organized in Spain and having its principal officers and the majority of its stockholders in Spain, but registered as an alien corporation in these islands, is organized under the laws of the Philippine Islands" and can appropriate to itself a large portion of the coastwise trade.

So it has been held by the attorney-general that "company" means firm or copartnership. It follows that that which is forbidden to one alien is permitted to two. One case is on the books of this office of such a firm where an alien desiring to enter the trade had entered into a "copartnership" with his house servant. His share was ₱49,000 while the servant's was ₱10, and yet this straw firm was held sufficient to evade the law. In another case two aliens operate a vessel under articles which give one a share of ₱2,999 and the other but ₱1. In other words the present condition of the law is such that any alien can by a palpable subterfuge without risk do that which is in terms absolutely prohibited.

A law which can be so easily evaded should be amended, and either this trade should be thrown open to the world or restricted in a real manner to citizens, as has been recommended by the attorney-general. (2 Off. Gaz., 520.)

MORTGAGES OF VESSELS.

A recent opinion of the attorney-general is to the effect that a mortgage on a vessel must be recorded with both the collector of customs and the register of deeds in Manila. Every other marine title document needs under act No. 1288 to be recorded only with the collector. It is believed that act No. 1508 requiring registry with the register of deeds should be amended so as not to apply to water craft for the following reasons:

1. The code of commerce and act No. 1288 already provide fully and satisfactorily for transferring and encumbering vessels.

2. Seafaring men are familiar with the provisions of the code of commerce relating to vessels and are accustomed to seek information concerning them in the offices of collectors of customs, and it is an unnecessary expense and hardship upon them to have, at the peril of a cloud upon their titles, to examine duplicate records in different offices for the same information, and to pay for two registrations when only one is necessary by way of constructive notice.

3. The two different concurrent systems in regard to mortgaging vessels is a hardship and the doubt in regard to registration under act No. 1508 tends to produce confusion, facilitates fraud, and may in many instances jeopardize substantial private rights.

PASIG RIVER.

Only the north wall of the Pasig River has been available for the mooring of coastwise vessels during the past year, for the reason that the wall on the south bank of the river between the Bridge of Spain and the Maestranza has not been completed, the space from the Maestranza and Fort Santiago having no wall, and the space between Fort Santiago and the canal being occupied by the Quartermaster's Department, United States Army, and the Atlantic, Gulf and Pacific Company. The mooring space along the south bank of the river which might be made available for coastwise vessels is a pressing necessity. The coastwise trade is on the increase, and the tonnage entering and clearing from the port of Manila continues to grow. Under present conditions, vessels are frequently berthed in the river alongside one another four deep; this increases the lay days in port discharging and receiving cargo. These disadvantages tend to keep both passenger and freight rates higher than conditions demand or justify and to prevent many interisland ports from being brought into regular communication with the port of Manila. The growing coastwise trade is an evidence of better conditions and increased industry and every effort should be made to furnish adequate facilities for handling cargoes at entry ports. To meet these conditions, the following recommendations are made:

- (1) Complete the wall on the south side of the Pasig River between the Bridge of Spain and the Maestranza and the fill behind the same.

(2) Continue the present river wall from the Maestranza to the bastion at Fort Santiago, a distance of 950 feet, and fill in between the same and the old walls.

(3) Remove the present warehouses of the Quartermaster's Department and require the Atlantic, Gulf and Pacific Company to vacate the property adjacent to the river wall so that these two stretches of the river may be available for commercial purposes.

If these recommendations can be made effective, it will more than double the space now available for coastwise vessels and will naturally improve present conditions.

ADMEASUREMENT OF VESSELS.

The work in this division has been continued and practically all vessels in the coastwise trade have been admeasured. It is expected that by the end of the fiscal year 1908 this division can be abolished, and the work assigned to the supervising inspector of hulls and boilers.

During the year the following number of vessels were admeasured at the various ports specified:

Port.	Number of vessels.	Amount of fees.
Manila.....	238	P2,388.57
Iloilo.....	2	60.00
Cebu.....	3	60.00
Moro Province.....	1	12.00
Total (4 ports).....	244	2,520.57

Of the number of vessels admeasured at Manila, 183 were of less than 15 gross tons burden and exempt from the payment of admeasurement fees, under the provisions of act No. 1354 of the Philippine Commission. Six were Government vessels not subject to fees. Four were readmeasurement, on account of incorrect admeasurement made at San Fernando de la Union and no fees were charged for the readmeasurement thereof.

HARBORMASTER.

The harbormaster at the port of Manila is charged with the berthing of coastwise vessels in the Pasig River and of foreign vessels behind the breakwater in the new harbor. He issues permits for the taking of ballast by foreign vessels, the loading of explosives, and the placing of mooring buoys. He also collects hydrographic matter, supervises the removal of wrecks and sunken craft from the river and bay, and the planting of fish corrals in Manila Bay.

During the past year eight launches, cascoes, and lorchas, sunk in the Pasig River, were removed, a number of old hulls beached along the bay front were blown up and destroyed, and the steamship *Germanita*, sunk at the port of Sorsogon, Luzon, was blown up. At the end of the past fiscal year there were no wrecked or sunken vessels within the Manila collection district which were a menace to navigation.

Eight mooring buoys have been planted in the new harbor, to be used by vessels making regular calls at the port of Manila. These buoys are owned by the Compañia Transatlantica, Nippon Yusen Kaisha, Hamburg Amerika Linie, Peninsular and Oriental Steamship Company, and Smith, Bell & Co.

In addition to his other duties, the harbormaster is charged with the enforcement of the harbor regulations, and by requiring compliance with these regulations by all kinds of craft he has been able to handle the crowded traffic in the Pasig River in a satisfactory manner.

The force in the harbormaster's office consists of one harbormaster, two assistant harbormasters and six Filipino employees, which is sufficient to handle the work under present conditions.

HULL AND BOILER INSPECTION.

The personnel available for the inspection of hulls and boilers consists of one supervising inspector of hulls and boilers, and one assistant inspector of hulls stationed at Manila, and one assistant inspector of boilers stationed at

Cebu. The inspector at Cebu travels between that port and Iloilo as occasion requires, and is able during the greater part of the year to handle the work at both ports.

At the port of Manila no sail vessels under 100 tons are inspected. At the ports of Cebu and Iloilo all sail vessels over 50 tons are inspected, due to the fact that as a rule they carry passengers.

Of the total number of vessels inspected in the Philippines, 28 steam vessels were over 500 tons, 13 over 300 and under 500, 58 over 100 and under 300, 152 under 100 tons, 14 sail vessels over 100 and under 500, and 56 under 100 tons.

Fifty per cent of the steam vessels over 500 tons generally have the bulk of their repairs made in dry dock at Hongkong or other China coast ports.

The detail work of this branch of the service consists of making a thorough inspection of the hull, boilers, machinery, and equipment of all steam vessels and the hull, sails, rigging, and equipment of all sail vessels, of the above-mentioned tonnage, at least once in each year, and proper instructions are given as to the repairs of same. When instructions are issued for the repair of vessels, ample time is allowed, by the extension of the certificates of inspection, in which to complete the same, from one to two months. All iron and steel vessels are placed in the dry dock at least once in each year, and wooden vessels at least once in two years.

The inspection of a vessel in dry dock consists of a thorough examination of all plating, seams, and rivets, of the bottom up to the load water line, overhauling of seacocks, rudder, and tail shaft. The bulkheads, framing, and angles are all examined inside, for defects; in fact, the entire structure of the vessel is given a thorough examination, to discover, if possible, any defects that might exist which could make the vessel unseaworthy.

The following statement exhibits in detail the number and class of vessels inspected during the past fiscal year:

List of vessels inspected during the fiscal year ending June 30, 1907.

	Over 500 tons.	Over 300 and under 500 tons.	Over 100 and under 300 tons.	Under 100 tons.	Total.
Steam vessels inspected and certified.....	27	11	53	134	225
Steam vessels inspected and not certified.....	1	2	5	18	26
Total steam.....	28	13	58	152	251
Sailing vessels inspected and certified.....		1	9	56	66
Sailing vessels inspected and not certified.....		1	3		4
Total sail.....		2	12	56	70
Total steam and sail.....	28	15	70	208	321

During the past year an act was prepared by this office providing for the inspection of steam and sail vessels carrying cargo and passengers for hire, and regulating the carrying of explosives by such vessels. The proposed act has been taken up by the Philippine Commission and will undoubtedly be enacted.

There is included in Appendix B lists showing vessels inspected and certified to, vessels out of commission and under repairs, steam vessels condemned, and steam vessels having changed their names.^a

BOARD ON PHILIPPINE MARINE EXAMINATIONS.

The board on Philippine marine examinations, provided for by act No. 1602, consists of the insular collector of customs, president ex officio; Mr. L. D. Weeks, supervising inspector of hulls and boilers; Mr. F. C. Lane, assistant inspector of hulls and boilers; Mr. Amado Rocha (Filipino), master, and Mr. Charles Webb (Filipino), marine engineer. During the past year the board examined 208 applicants for licenses, of whom 105 failed. The following statements show the number of licenses and certificates of service issued during

^a Appendix B has been omitted and is on file in the Bureau of Insular Affairs, War Department.

the past year, the number of marine officers of all classes available for service on June 30, 1907, and the total number of licenses and certificates of service issued by the board up to that date:

Licenses and certificates of service issued by the board on Philippine examinations during the fiscal year ending June 30, 1907.

Class.	Licenses.					Certificates of service.					
	Citizens of the—				Total.	Subjects of—					Total.
	Philippine Islands.		United States.			Spain.	Great Britain.	Denmark.	Japan.	China.	
	Original.	Re-nued.	Original.	Re-nued.							
Masters.....	5	57	8	19	89	34	2	1			37
Chief mates.....	11	7	4	2	24	7					7
Second mates.....	11	7	2		20	1					1
Third mates.....	10	28	1		39						
Patrones.....	11	127	5	5	148	2					2
Chief engineers.....	7	113		7	127	10	1		1		12
First assistant engineers.....	12	69		4	85	3				1	4
Second assistant engineers.....	22	100	2	1	125	4				2	6
Bay and river engineers.....	15	112	1		128					1	1
Total.....	104	620	23	38	785	61	3	1	1	4	70

Marine officers available and unavailable for service June 30, 1907.

Class.	Available, holding unexpired licenses and certificates.				Unavailable, holding expired licenses and certificates.			
	Ameri-cans.	Filipi-nos.	For-eigners.	Total.	Ameri-cans.	Filipi-nos.	For-eigners.	Total.
Masters.....	22	56	33	111	42	6	38	86
Chief mates.....	6	17	8	31	14	4	5	23
Second mates.....	2	16	1	19	12	6	1	19
Third mates.....	1	35		36	5	11		16
Patrones:								
250 tons steam and 700 tons sail ..	2	10		12	4	5		9
200 tons steam and 700 tons sail ..		1		1		1		1
200 tons.....	4	105	3	112	5	94	3	102
Luzon and Visayas.....						1		1
Chief engineers.....	6	117	16	139	9	30	24	63
First assistant engineers.....	3	79	4	86	6	20	4	30
Second assistant engineers.....	3	120	4	127	7	25	2	34
Bay and river engineers.....	1	98	1	100	1	141		142
Total.....	50	654	70	774	105	344	77	526

Number of applicants examined by the board on Philippine marine examinations during the fiscal year ending June 30, 1907.

Class.	Passed.	Failed.	Total.
Masters.....	5		5
Chief mates.....	12	4	16
Second mates.....	12	5	17
Third mates.....	8	5	13
Patrones, coastwise.....	9	23	32
Chief engineers.....	5	2	7
First assistant engineers.....	11	18	29
Second assistant engineers.....	14	26	40
Bay and river engineers.....	14	17	31
Bay and river patrones.....	13	5	18
Total.....	108	105	208

From the foregoing statements the following information is gained: There is available for immediate service 50 Americans, 654 Filipinos, and 70 foreigners, making a total of 774 of all classes and grades.

Officers holding expired licenses of all grades are 105 Americans, 344 Filipinos, and 77 foreigners. Of this number it is known that 45 Americans are in the islands and available for service at the present time. Of the Filipinos not much is known, but they are all probably in the islands and available for service if called upon. It is estimated that there are available for service 1,226 marine officers of all grades, or 144 masters, 40 chief mates, 26 second mates, 47 third mates, 231 patrones, 237 chief engineers, 106 first assistant engineers, 154 second assistant engineers, and 241 bay and river engineers.

The number of marine officers holding unexpired licenses and certificates of service on June 30, 1907, is just about sufficient to supply the demands of the coastwise trade. It is apparent that most marine officers who failed to renew their licenses for the fiscal year 1907 did so for the reason that employment in their profession was not obtainable. Foreigners holding certificates of service as masters and chief engineers undoubtedly interfere with the employment of many Americans and Filipinos in these capacities; and it is believed that if the coastwise vessels are ever to be fully manned by Americans and Filipinos, some legislation should be enacted which will gradually eliminate foreigners from the coastwise service. The marine officers who hold certificates of service are generally Spaniards who were following their calling in the Philippines prior to American occupation, and they are competent masters and engineers, men who are thoroughly familiar with the waters of the Philippine Islands. A great proportion of the men who are serving in these capacities are anxious to obtain American citizenship and to become thoroughly identified with the Philippine Islands as citizens. However, as long as this can not be accomplished, it does not appear reasonable to permit foreigners to occupy the most important and responsible positions in the coastwise trade to the detriment of American and Filipino marine officers who are competent to fill these places.

The undersigned therefore recommends that section 7 of act No. 780 be so amended as to limit the issuance of certificates of service to foreigners who were residing in the Philippine Islands on April 11, 1899, and who, at that time, were serving as marine officers in the coastwise trade of the Philippine Islands. It is also recommended that act No. 1025 be amended to as to prohibit the issuance of licenses to marine officers on certificates of competency, excepting marine engineers licensed for service on steam vessels engaged in lighterage and harbor work, and plying exclusively on bays and rivers.

PROTESTS AND APPEALS.

The number of protests filed by importers and exporters, continues to increase, notwithstanding the same tariff law has practically been in effect since November, 1901.

The following statistics show the volume of this work during the past fiscal year.

Protests and appeals at the port of Manila from July 1, 1906, to June 30, 1907.

Month.	Protests filed.			Protests decided.		
	Constitutional questions.	Other questions.	Total.	Constitutional questions.	Other questions.	Total.
1906.						
July.....	17	36	53	-----	16	16
August.....	15	46	61	-----	27	27
September.....	21	27	48	63	34	97
October.....	9	37	46	4	110	114
November.....	3	43	46	-----	163	163
December.....	4	24	28	19	247	266
1907.						
January.....	-----	46	46	5	23	28
February.....	3	39	42	-----	34	34
March.....	1	27	28	-----	16	16
April.....	6	32	38	1	24	25
May.....	7	48	55	-----	21	21
June.....	9	43	52	1	19	20
Fiscal year.....	96	448	543	98	734	827

Protests and appeals at the port of Manila from July 1, 1906, to June 30, 1907—Continued.

Month.	Protests undecided.	Appeals to court.	Appeals decided.	Appeals undecided.	Decisions affirmed.	Decisions modified.
1906.						
July.....	2					
August.....	4					
September.....	1	1		1		
October.....	3	6	5	6	5	
November.....	1	1	4	1	2	2
December.....	10	1		1		
1907.						
January.....	20	3		3		
February.....	16					
March.....	19	3		2		
April.....	23					
May.....	37		1			1
June.....	36	2	1	2	1	
Fiscal year.....	172	17	11	16	8	3

Appeals to the insular collector from subports filed and decided.

Month.	Filed.	Affirmed.	Modified.	Total decided.
1906.				
July.....	2		1	1
August.....	1			
September.....	1			
October.....	1		3	3
November.....	1			
December.....		3		3
1907.				
January.....				
February.....			1	1
March.....	3			
April.....				
May.....	4	1	1	2
June.....	1		1	1
Fiscal year.....	14	4	7	11

Refunds on protests Manila, protests subports, and appeals to the insular collector, July 1, 1906, to June 30, 1907.

Month.	Manila, ^a decision of—		Subports. ^b			
	Insular collector.	Court.	Iloilo.	Cebu.	Zamboanga.	Jolo.
1906.						
July.....	\$1,133.50					\$155.00
August.....	598.87					
September.....	246.10					
October.....	777.51	\$58.04	\$278.55	\$921.80	\$37.08	8.07
November.....	2,480.65	178.72				
December.....	1,198.25					
1907.						
January.....	252.55					
February.....	54.70		253.66			
March.....	117.84					
April.....	2,207.38					
May.....	153.89		16.72			
June.....	28.70	32.00		58.70		
Fiscal year.....	9,247.94	268.76	548.93	980.50	37.08	168.07

^a Total for Manila, \$9,516.70, United States currency.

^b Total for subports, \$1,729.58, United States currency.

The total number of protests received at the port of Manila during the past fiscal year was 543, 95 of which raised constitutional questions, and 448 questions of classification, valuation, etc. The total number of protests decided during the past fiscal year was 827, 93 of which raised constitutional questions and 734 questions of classification, valuation, etc.

Of the 734 protests on other questions decided by the insular collector, 174 were sustained, and 560 were overruled and denied; of the 560 overruled and denied by the insular collector, 17 appeals were filed with the court of first instance, Manila. There were 11 decisions received from the court of first instance, Manila, 8 of which affirmed and 3 modified the decisions of the insular collector of customs, but one of the 11 decisions of the court received is the result of an appeal filed during the past fiscal year, the remaining 10 are on appeals transmitted to the court prior to July 1, 1906, leaving undecided 16 appeals filed during the fiscal year covered by this report.

A number of protests filed prior to July 1, 1906, are being held pending decisions of the court of first instance, Manila, and the supreme court of the Philippine Islands.

The amount of refund ordered at the port of Manila by the decision of the insular collector and the court of first instance was \$9,516.70 as against \$20,576.29 during the fiscal year 1903-4 and \$12,767.06 during 1905-6.

The amount of refunds on protests sustained by collectors of customs at sub-ports of entry and on appeals to the insular collector was \$1,729.58.

A large proportion of the 172 undecided protests filed during the past fiscal year are on questions on which appeal has been filed in the court of first instance, Manila, and these protests are being held pending a decision of the court.

ARRASTRE PLANT, PORT OF MANILA.

The service rendered by the arrastre plant has continued on the same lines as established in the previous years. If there has been any change, it is in the direction of better and quicker service to the importers, a reduction of the expense of operation, and an improvement in conditions generally. One thing noticeable has been the quicker delivery of merchandise from the custom-house, taken by the importers. Importations are taken from the custom-house warehouses now within two, three, or five days after arrival as against a week or more three or four years ago, and ten or fifteen days six years back.

The consolidation of the former warehouse division of the custom-house with the arrastre plant, accomplished during the previous fiscal year, has worked out very successfully. The result has been not only better service to the importers but a considerable reduction in the expense of the warehousing. The expense of the warehouse division has been reduced from ₱62,000 annually, before consolidation, to ₱36,000 in the first year of consolidation, and to ₱29,709 in the past fiscal year.

There has been a noticeable decrease in certain classes of imported merchandise coming to the custom-house, due to the increase in delivery direct from ship side to the importers' warehouses, and a marked decrease in the merchandise given a *pasé* delivery, compelling the lighter to stop at the customs wharf for unloading samples for inspection. In the year just closed only 21,811 tons of merchandise were given a *pasé* delivery as against 42,375 tons two years ago. As stated, many classes of merchandise which customs requirements formerly obliged to come to the custom-house are now given ship-side delivery. This is due to the improvements in the customs service and to the facilities given discharge by customs initiative.

Notwithstanding the increase of the ship-side delivery, the amount of merchandise coming to the custom-house and handled by the arrastre plant shows no diminution, due probably to the increase of the importations of the port. The arrastre plant handled 98,110 tons the past fiscal year as against 99,514 in 1905, and 99,529 tons in 1906.

The increase of delivery of merchandise from the customs wharf instead of the warehouses has continued. The past year it was 39 per cent of the whole, as against 31½ per cent in 1905, and 37 per cent in 1906.

Owing to the quicker service given by the arrastre plant, the demurrage on lighters, which was formerly such a heavy expense to importers, has been wiped out. Formerly lighters would lie at the customs wharf four or five days awaiting discharge. Now the average time a lighter lies at the wharf from arrival to finish of discharge and its departure is twenty-two hours. As this

includes Sundays and nighttime, it can be seen that many lighters lie at the wharf less than ten hours.

Reduced to pesos and centavos, the following indicates the saving of expense to importers, caused by the service given by the arrastre plant the past year, as against what the same would have cost them under the conditions that prevailed as late as four years ago:

Pasé delivery (formerly charged 50 centavos per ton)-----	₱10, 909
Wharf delivery (reduction from ₱1.50 per ton to 90 centavos)-----	22, 949
Warehouse delivery (reduction from ₱1.50 per ton to ₱1.25)-----	16, 041
Warehouse delivery and handling sample packages-----	51, 208
Demurrage on lighters (estimated)-----	50, 000
Total per year-----	151, 107

As the arrastre charges last year amounted to only ₱110,963, it can be seen that the operation of the plant by the government has reduced an expense on Manila importers to 40 per cent of what it was formerly.

There have been no material improvements made to the machinery and property of the plant the past year, owing to the improvements made previously. The machinery has been kept in good condition. This next year some considerable repairs will be necessary in the rolling stock of the tramway.

Owing to the facilities added, the experience gained, and the training given employees previously, there has been a reduction of the expense of operation of the arrastre plant proper. The reduction of the expense of the warehouse section has been mentioned. The expense of the arrastre plant proper was ₱58,255 as against ₱70,693 the previous year. Part of this reduction was due to the small amount spent on improvements and repairs, which was ₱1,442, while it was ₱11,184 the previous year. In 1905 the same items amounted to ₱6,962.43. During the coming year the expense for improvements will continue small, but that for repairs will be considerably increased over the past year.

The number of classified employees at the close of the past year was 10, and of the skilled and semiskilled unclassified 41 (not including laborers), as against 13 classified and 43 unclassified a year previous for the arrastre plant proper. In the warehouse section there are now 35 classified and 2 unclassified as against 45 classified and no unclassified a year ago, and 55 classified and 12 unclassified before the consolidation of the warehouse division with the arrastre plant. The personnel has not otherwise been materially changed, and is giving very good and increased service.

The problem of Filipino labor has presented no difficulties whatever as far as the arrastre plant is concerned. There has been no trouble in securing laborers. Notwithstanding that the labor is intermittent and not steady—a hard proposition in maintaining a good force of laborers—yet a considerable proportion of the laborers of the arrastre plant work steadily for it and have done so for several years. The result is a trained and experienced force in the main.

The following table shows the work done by the arrastre plant the past fiscal year, and that of the previous years, also other items of interest in connection therewith:

	1904.*	1905.	1906.	1907.
Days operated.....	213	302	302	301
Statements paid.....	16,641	23,613	21,484	21,329
Packages handled.....	1,849,022	1,088,925	1,076,602	994,588
Tons delivered from—				
Wharf.....	11,511	31,430	36,747	38,249
Warehouses.....	56,610	68,084	62,782	59,861
Total tons handled.....	68,121	99,514	99,529	98,110
Percentage from—				
Wharf.....	.167	.315	.369	.389
Warehouses.....	.833	.685	.631	.611
Pase delivery (tons).....	51,579	42,375	30,267	21,811
Cash receipts (gross).....	₱121,569.25	₱115,938.10	₱112,963.69	₱110,963.41
Refunds.....	₱23,925.00	₱55.08	₱149.51	—
Arrastre collections (net).....	₱97,643.66	₱115,881.02	₱112,544.18	₱110,963.41
Expense:				
Arrastre plant.....	₱63,563.33	₱73,730.00	₱70,662.94	₱58,255.00
Warehouse division.....	—	—	₱22,502.02	₱29,709.76
Total expenditures.....	₱63,563.33	₱73,730.00	₱93,164.96	₱87,965.36
Margin of profit.....	₱34,080.32	₱42,150.42	₱19,849.22	₱22,998.05
Number of laborers employed.....	25,577	20,231	18,809	17,961
Tons handled per laborer per day.....	2.663	4.918	5.291	5.462
Laborers' wages.....	₱21,055.54	₱16,673.34	₱15,333.02	₱15,102.14
Labor cost per ton.....	₱0.809	₱0.167	₱0.154	₱0.153
Cost per ton:				
Wharf delivery.....	₱0.752	₱0.577	₱0.748	₱0.662
Warehouse delivery.....	₱1.055	₱0.818	₱0.998	₱1.047
Arrastre plant employees:				
Classified—				
Americans.....	5	4	4	4
Filipinos.....	8	7	7	5
Spaniards.....	3	2	2	1
Unclassified, Filipinos.....	50	42	43	41
Warehouse division employees:				
Classified—				
Americans.....	—	14	5	4
Filipinos.....	—	40	38	30
Spaniards.....	—	1	2	1
Unclassified, Filipinos.....	—	12	—	2

* Eight and one-half months.

† Seven months.

‡ Includes the expense of the warehouse division for seven months.

§ Includes the expense of the warehouse division for the year.

¶ The number previous to the consolidation with the arrastre plant.

The financial statement for the past year is as follows:

DEBITS.

Treasurer's balance July 1, 1906.....	₱61,635.14
Disbursing officer's balance July 1, 1906.....	961.77
Cash balance July 1, 1906.....	1,249.45
Total balance.....	₱63,846.36
Cash receipts, arrastre collections.....	110,963.41
Cash receipts, miscellaneous.....	55.15
Total debits.....	174,864.92

CREDITS.

Supplies.....	₱4,086.61
Plant (permanent).....	428.13
Repairs.....	1,014.67
Salaries.....	66,124.32
Laborers' wages.....	15,102.14
Extra services customs employees.....	9.55
Reimbursement of losses to importers.....	299.94
Total expenditures.....	₱87,965.36
Treasurer's balance June 30, 1907.....	5,488.68
Deposit, International Bank, June 30, 1907.....	75,000.00
Disbursing officer's balance June 30, 1907.....	2,478.86
Cash balance June 30, 1907.....	3,932.02
Total balance.....	86,899.56
Total credits.....	174,864.92

From October 1, 1906, up to May 2, 1907, the arrastre plant was managed in a creditable manner by Mr. C. I. McCaskey, who was also during the first three months of the same period acting insular surveyor. From May 2 to the end of the fiscal year the plant was managed by Mr. Clifford D. Ham, deputy surveyor of customs.

MANILA HARBOR.

The following recommendations made in the annual report of the insular collector of customs for last year are renewed and their adoption earnestly recommended:

There are several other matters in this same connection, which, however, are not thought to necessitate particular attention at this time. They are:

(1) The prolongation of the west breakwater so as to effectually protect the present harbor entrance; the widening of a portion thereof, starting from Engineer Island and extending nearly to the harbor entrance, making thereby a wharf 300 feet wide for the discharge of combustibles, doubtfully sanitary and other dangerous cargoes.

(2) The construction of a submergible wall from the end of the north bank of the Pasig River, extending outward in a curve to the left, for the purpose of diminishing the deposit from the river and assisting in keeping down the bar which forms there, thus enabling the 18-foot channel and entrance to be maintained. This is not considered to be absolutely necessary.

(3) The construction of a wharf 300 feet wide extending out from the west end of the present Malecon "fill" about halfway to the additional breakwater. This wharf would serve the triple purpose of dividing up the new harbor and breaking the sweep of the winds inside the harbor, of greatly facilitating the loading and discharging operations, and of affording the best possible site for a new custom-house.

Respectfully submitted.

H. B. McCoy,
Acting Insular Collector of Customs.

To Hon. JAMES F. SMITH,
*Governor-General of the Philippine Islands and
Acting Secretary of Finance and Justice, Manila, P. I.*

APPENDIX A.

COMPARATIVE STATISTICAL SUMMARIES PREPARED FOR USE IN THE ANNUAL REPORT OF THE ACTING INSULAR COLLECTOR OF CUSTOMS FOR THE PHILIPPINE ISLANDS.

CUSTOMS RECEIPTS AND EXPENDITURES.

The following tables show by ports the customs receipts and expenditures at all entry ports during the four fiscal years ended June 30, 1907. The receipts and expenditures for the same period are also shown by sources.

The receipts and expenditures for the same period for the insular government and Moro Province are stated separately by ports and by sources.

These tables are summaries of financial reports of collectors of customs sent monthly to the Secretary of War, Washington, D. C., and all amounts are stated in United States currency.

Total customs collections and expenditures at all entry ports, by fiscal years, during American occupation, August 20, 1898, to June 30, 1907.

Year.	Collections.	Expenditures.
1899.....	\$8,106,380.34	\$82,624.24
1900.....	5,542,289.18	108,393.14
1901.....	8,982,813.85	231,060.89
1902.....	8,528,988.12	433,589.16
1903.....	9,540,706.92	488,086.67
1904.....	8,483,868.26	563,463.79
1905.....	8,263,444.25	520,278.87
1906.....	7,563,206.06	491,081.68
1907.....	8,194,708.58	461,111.45
Total.....	68,206,356.51	3,324,679.89

Customs collection at all entry ports in the Philippine Islands, collectively and separately, during the fiscal years 1906 and 1907.

FISCAL YEAR 1906.

	Import duty.	Export duty.	All other.	Total.
Philippine Islands, all ports.....	\$6,064,832.18	\$1,061,734.09	\$437,139.79	\$7,563,706.06
Insular government, all ports except those in Moro Province.....	5,916,403.23	1,049,169.68	428,208.36	7,393,781.27
Moro Province, all ports in Moro Province.....	147,928.94	2,564.46	8,936.44	159,429.84
Manila.....	5,025,975.51	881,323.19	308,109.31	6,160,408.01
Cebu.....	434,017.88	170,089.30	40,106.27	644,213.45
Iloilo.....	453,067.94	47,639.96	84,631.92	585,339.82
Jolo.....	68,130.08	1,011.19	3,073.67	71,214.90
Zamboanga.....	82,752.98	1,407.32	5,249.23	89,409.48
Bongao.....	1,082.46	24.31	350.04	1,456.81
Balabac.....	3,351.90	117.18	356.86	3,825.94
Jurata.....	874.45	121.64	247.91	1,244.00
Sitanki.....	80.07	-----	15.59	104.66

FISCAL YEAR 1907.

	\$6,641,396.06	\$1,153,888.06	\$399,424.40	\$8,194,708.52
Philippine Islands, all ports.....				
Insular government, all ports except those in Moro Province.....	6,486,852.47	1,151,120.99	391,240.20	8,009,213.66
Moro Province, all ports in Moro Province.....	174,543.58	2,767.07	8,184.22	185,494.87
Manila.....	5,425,980.73	915,562.68	264,404.25	6,605,947.66
Cebu.....	577,658.85	186,641.48	38,296.13	802,596.46
Iloilo.....	458,973.00	48,890.06	88,152.19	596,015.25
Jolo.....	77,589.66	1,499.90	2,988.84	82,078.40
Zamboanga.....	94,632.61	1,199.57	4,614.10	100,446.28
Bongao.....	185.44	1.49	159.84	346.77
Balabac.....	4,294.29	36.77	387.61	4,718.67
Jurata.....	1,180.64	64.46	189.87	1,434.87
Sitanki.....	1,006.43	1.66	231.56	1,239.65

Customs collections at all entry ports in the Philippine Islands, by ports and sources, for the fiscal years 1904, 1905, 1906, and 1907.

	1904.	1905.	1906.	1907.
By ports:				
Manila.....	\$7,181,379.86	\$6,814,910.78	\$6,160,408.01	\$6,605,887.66
Cebu.....	634,817.08	782,787.59	644,212.45	802,591.46
Iloilo.....	604,652.27	531,286.01	585,329.82	596,015.86
Jolo.....	76,076.06	75,300.28	67,214.89	82,028.30
Zamboanga.....	41,120.20	54,359.93	89,409.48	100,446.28
Aparri.....	1,592.41			
Puerto Princesa.....	1,718.77			
Cape Melville.....	545.28			
Bongao.....	1,223.00	1,552.54	1,456.81	346.77
Balabac.....	743.39	3,267.12	3,825.94	4,718.08
Jurata.....			1,244.00	1,434.87
Sitanki.....			104.06	1,238.64
Total by ports.....	8,498,868.26	8,268,444.25	7,553,206.06	8,194,708.52
By sources:				
Import duty.....	6,740,117.56	6,064,096.93	6,064,332.18	6,641,396.06
Export duty.....	1,253,507.67	1,082,286.40	1,051,734.09	1,153,888.06
Harbor-improvement tax.....	137,424.17	218,441.89	238,554.97	235,771.84
Tonnage tax—				
Coastwise.....	109,575.21	108,680.39	49,918.67	45,674.62
Foreign.....	70,841.36	62,587.88	50,560.83	10,712.77
Fines and seizures.....	30,843.00	9,494.07	5,408.80	5,652.43
Storage and cartage.....	12,650.58	7,497.50	7,884.06	5,989.14
Immigration dues.....	20,069.00	23,420.00	19,322.50	19,635.50
Admeasurement fees.....	8,718.32	9,141.62	1,533.78	1,210.82
Auction sales.....	6,873.49	5,204.18	1,173.84	2,415.18
Various other sources.....	104,447.90	77,563.30	62,782.37	72,412.60
Total by sources.....	8,498,868.26	8,268,444.25	7,553,206.06	8,194,708.52

The increase in total collections at the port of Manila for the fiscal year 1907 over 1906 was \$445,479; at Cebu, \$158,379; at Iloilo, \$10,686, and at Balabac, \$892, making a total gain for the insular government of \$615,437 for the fiscal year 1907.

Act No. 787 enacted by the Philippine Commission June 1, 1903, for the organization and government of the Moro Province took effect July 15, 1903. The preceding reports show the customs collections for the Moro Province since the organization of that government, by fiscal years, stated in United States currency.

The increase at Jolo amounted to \$14,813.41; at Zamboanga to \$11,036.80; at Jurata to \$190.87; at Sitanki to \$1,133.98. At Bongao there was a decrease of \$1,110.04.

The total gain in collections for the Moro Province for the fiscal year 1907 over 1906 was \$26,065.03. The port of Jurata was opened as an entry port July 3, 1905. Sitanki was opened as an entry port February 15, 1906. The port of Bongao will be closed as an entry port September 1, 1907.

REFUNDABLE EXPORT DUTIES.

Refundable export duties have been collected at only two ports as follows:

Port.	1902.	1903.	1904.	1905.	1906.	1907.
Manila.....	\$35,346.83	\$410,946.43	\$378,213.07	\$376,195.12	\$347,296.13	\$327,836.82
Cebu.....	35,717.86	116,281.67	84,220.76	110,380.44	86,695.66	105,621.76
Total.....	71,064.69	527,228.10	462,433.83	486,575.56	433,991.79	433,458.58

Total Manila from fiscal year 1902 to 1907, inclusive..... \$1,875,834.40
 Total Cebu from fiscal year 1902 to 1907, inclusive..... 538,918.15

Grand total..... 2,414,752.55

The total amount of refundable export duty collected on Philippine products exported to the United States for consumption there, under the provision of section 2, act of Congress approved March 8, 1902, was up to June 30, 1907, \$2,414,752.55 United States currency.

Import and export values for period of American occupation, currency excluded.

Fiscal year.	Imports.	Exports.
1899.....	\$13,116,567	\$14,640,103
1900.....	20,601,436	19,821,347
1901.....	30,376,200	23,222,348
1902.....	32,029,357	24,544,858
1903.....	32,978,445	33,150,120
1904.....	33,221,251	30,226,127
1905.....	30,879,048	32,355,865
1906.....	25,799,290	31,918,542
1907.....	29,665,822	33,721,517
Total.....	248,567,416	243,600,886

Excess of exports over imports, 1907.....	\$4,055,695
Total imports, period of American occupation, exclusive of currency.....	284,567,416
Total exports, period of American occupation, exclusive of currency.....	243,600,886
Excess of imports over exports.....	4,966,530
Total exports, period of American occupation, currency included.....	272,019,058
Total imports, period of American occupation, currency included.....	268,509,163
Excess of exports over imports.....	5,509,895

NOTE.—The foregoing table showing the value of articles imported into and exported from the Philippine Islands, by fiscal years, during the period of American occupation are summaries of monthly reports on Forms Nos. 3 and 4, division of customs and insular affairs; fractions of dollars and government free entry merchandise not included.

Comparative summary of imports into the Philippine Islands, by countries, during the three fiscal years ended June 30, 1907.

[Currency included. Government free entries excluded. Fractions of dollars omitted.]

Country.	1905.		1906.		1907.	
	Values.	Duties.	Values.	Duties.	Values.	Duties.
United States.....	\$5,839,512	\$1,105,677	\$4,383,017	\$804,441	\$5,664,254	\$1,070,821
East Indies (French).....	5,968,514	1,063,772	3,854,344	914,813	3,474,236	798,625
England.....	4,612,537	1,069,146	4,672,116	1,194,461	6,028,040	1,347,324
Chinese Empire.....	2,949,071	571,230	2,650,320	463,556	2,759,715	413,399
East Indies (British).....	2,007,514	502,659	1,520,161	573,173	1,626,399	612,862
Spain.....	1,932,078	557,082	1,792,062	540,067	1,756,067	549,942
Germany.....	1,498,896	389,778	1,360,161	354,722	1,655,422	424,848
British Australasia.....	1,365,022	62,435	1,523,688	93,676	1,753,874	120,267
Japan.....	1,018,983	215,635	1,657,886	216,569	1,010,043	258,290
All other Asia.....	978,745	190,990	319,789	76,549	298	68
France.....	832,607	227,827	834,120	224,225	851,595	247,500
Switzerland.....	444,970	96,334	502,154	142,172	605,280	131,635
Russia.....	302,646	128,220	43,128	16,082	5,602	1,896
Belgium.....	296,155	58,043	259,521	61,856	298,055	72,492
Hongkong.....	244,997	59,803	305,741	74,698	346,622	62,628
Scotland.....	232,641	65,990	544,493	120,659	605,286	125,510
Italy.....	152,802	44,923	197,865	60,176	258,855	77,098
Netherlands.....	108,139	70,114	150,165	75,265	221,897	103,873
Austria-Hungary.....	94,343	27,734	88,788	24,546	170,534	45,691
East Indies (Dutch).....	79,175	22,553	70,592	21,762	262,750	97,021
Quebec, Ontario, etc.....	20,344	11,624	9,367	4,966	13,366	6,806
Sweden and Norway.....	6,900	825				
Denmark.....	5,213	316	8,704	600	18,672	1,544
Egypt.....	3,540	1,800	1,955	700	2,570	1,170
Ireland.....	3,215	498	7,111	1,615	12,249	2,715
British Columbia.....	1,100	606	464	46	11,354	1,680
Turkey in Asia.....	819	629	50	6	123	21
Turkey in Europe.....	386	225	293	261	47	11
Malta.....	196	88	286	129	806	363
East Indies (Portuguese).....	88	24				
Portugal.....	67	34	119	46	103	55
Nova Scotia.....	40	15				
Cuba.....	5	1				
French China.....	2		3,513	8	4	2
Sweden.....			3,434	733	6,285	1,001
Norway.....			1,333	154	1,097	201
Brazil.....					112	40
Panama.....					154	30
Aden.....			115	124		
British China.....			354	156	415	204
Korea.....			351	68	3,232	649
Siam.....					208,126	40,214
Persia.....					36,346	23,227
Guam.....			14	2		
Hawaiian Islands.....			743	198		
British Africa.....			72	25		
Canary Islands.....			4	1		
Siberia.....					175	67
Total.....	30,969,988	6,664,430	25,811,083	6,064,446	29,666,140	6,641,722
Of above free of duty.....	1,683,623		1,066,961		3,111,783	
Dutiable.....	29,316,365		23,812,112		26,554,357	

Comparative summary of exports from the Philippine Islands, by countries, during the three fiscal years ended June 30, 1907.

[Currency included. Fractions of dollars omitted.]

Country.	1905.	1906.	1907.
United States.....	\$15,678,875	\$11,580,569	\$12,082,364
England.....	5,668,823	7,502,780	8,624,490
Spain.....	1,436,627	1,808,775	1,795,315
Hongkong.....	6,116,737	4,351,914	2,952,198
Japan.....	548,607	532,245	477,070
France.....	1,491,753	2,708,328	2,689,563
East Indies (British).....	723,490	672,423	808,893
British Australasia.....	443,922	457,444	481,576
Chinese Empire.....	1,521,087	1,752,138	2,035,390
Japanese China.....			85
British Africa.....	830	8,760	7,760
Austria-Hungary.....	37,282	379,021	340,145
Germany.....	130,113	459,426	788,018
Belgium.....	43,720	182,861	244,759
East Indies (Dutch).....	24,132	31,509	24,632
Netherlands.....	78,082	65,852	313,056
Italy.....	59,316	71,290	155,224
Quebec, Ontario, etc.....	7,102	4,802	6,867
Gibraltar.....	5,831	22,369	18,107
Russia.....	3,230		8,385
Scotland.....	3,465	4,250	124,715
Hawaiian Islands.....	3,105	2,035	2,852
British Columbia.....	3,467	4,644	4,878
Siam.....			8,246
Persia.....			45
All other Asia.....	3,133	5,313	21,492
Guam.....	387	296	310
German Oceania.....			783
East Indies (French).....	11,395	6,335	56,520
Korea.....	2,050	3,534	7,198
Auckland Islands.....	1,819	4,791	5,041
Uruguay.....	7,040	17,422	14,553
Switzerland.....	843	3,214	2,429
Canary Islands.....	769		4,878
Argentine Republic.....	5,670	9,447	11,226
British Guiana.....			120
Aden.....	740	746	455
Malta.....	1,695	1,798	2,028
Nova Scotia.....	20,141	1,496	2,633
East Indies (Portuguese).....	2,940	267	936
Portugal.....	7,900	7,390	1,214
French Africa.....		70	110
Denmark.....	4,975	9,296	4,342
Norway.....			110
All other Africa.....	444	3,065	509
Tonga, Samoa, etc.....			342
Egypt.....	20,092	623	397
British China.....	20		
French China.....	275	171	
Guatemala.....		139	
Mexico.....		1,661	
Chile.....		120	
Turkey in Asia.....		85	
Portuguese Africa.....		120	
Peru.....		4	
Total.....	37,116,810	32,671,401	34,127,253

NOTE.—Since July 1, 1906, Japanese China was substituted for Russian China, by direction of the Bureau of Insular Affairs, Washington, D. C. Siam and Persia were segregated from "All other Asia" since July 1, 1906. This report is compiled from reports on Form No. 4, sent monthly to the Bureau of Insular Affairs, Washington, D. C.

Summary of imports and exports of the Philippine Islands and value of imports from and exports to the United States, by ports, for the four fiscal years ended June 30, 1907.

[Values represented in United States currency, gold and silver coin included. Government free entries not included.]

IMPORTS.

Port.	1904.	1905.	1906.	1907.
Into the Philippine Islands:				
Manila.....	\$23,784,236	\$26,071,700	\$21,868,257	\$24,745,811
Cebu.....	2,632,981	2,634,412	1,700,752	2,381,761
Iloilo.....	2,447,670	1,817,576	1,683,172	1,689,118
Jolo.....	339,510	274,110	231,772	274,577
Zamboanga.....	152,872	187,878	306,851	352,407
Bongao.....	2,430	4,466	4,764	544
Puerto Princesa.....	4,815			
Cape Melville.....	1,509			
Balabac.....	2,478	9,845	12,347	14,246
Jurata.....			2,856	3,975
Sitanki.....			322	4,206
Total.....	34,327,481	30,999,968	25,811,093	29,666,140
From the United States:				
Manila.....	4,548,858	5,477,480	4,085,948	4,929,665
Cebu.....	107,232	177,681	92,304	357,023
Iloilo.....	167,596	170,672	160,410	238,307
Jolo.....	4,789	3,069	2,523	3,199
Zamboanga.....	14,432	10,370	42,542	55,723
Bongao.....	32	180	22	41
Balabac.....	69	110	100	75
Puerto Princesa.....	379			
Cape Melville.....	23			
Jurata.....			57	136
Sitanki.....				86
Total.....	4,843,207	5,839,512	4,333,917	5,664,254

EXPORTS.

From the Philippine Islands:				
Manila.....	\$30,508,308	\$27,393,308	\$23,902,996	\$24,920,715
Cebu.....	3,489,224	5,663,918	4,789,274	5,512,711
Iloilo.....	2,833,324	3,796,181	3,676,883	3,279,165
Jolo.....	120,117	188,365	142,583	183,721
Zamboanga.....	77,543	110,573	135,127	205,986
Bongao.....	111	4,755	7,452	1,123
Puerto Princesa.....	450			
Cape Melville.....	1,859			
Balabac.....	2,254	9,725	12,123	11,865
Jurata.....			4,401	5,412
Sitanki.....			617	6,550
Total.....	37,063,185	37,116,810	32,671,401	34,127,253
To the United States:				
Manila.....	9,080,845	10,316,333	9,106,732	9,012,359
Cebu.....	1,684,567	2,914,398	2,213,447	2,835,008
Iloilo.....	354,488	2,448,144	290,340	234,958
Jolo.....	2,500			
Zamboanga.....	460			39
Total.....	11,102,890	15,678,875	11,580,569	12,082,364

Comparative summary of vessels doing the carrying trade for the Philippine Islands for the fiscal years 1905, 1906, and 1907, currency included.

Flag.	Imports.			Exports.		
	1905.	1906.	1907.	1905.	1906.	1907.
Domestic.....	\$55,542	\$483,942	\$682,901	\$101,893	\$50,737	\$136,896
American.....	3,098,907	1,783,266	942,940	3,504,636	1,474,987	831,463
British.....	17,920,532	14,940,364	16,697,111	29,276,078	25,294,385	26,015,019
Dutch.....	6,224	.....	.....	.....	.....	.....
French.....	217,209	66,400	158,025	157,923	351,086	968,730
German.....	3,526,828	2,433,373	3,291,047	1,065,969	1,995,138	2,013,595
Spanish.....	5,477,060	5,820,663	0,195,281	2,181,455	2,420,460	2,836,188
Swedish.....	.....	.....	41,638	.....	.....	43,016
Norwegian.....	657,637	157,968	897,825	811,011	478,563	515,697
Japanese.....	.....	.....	760,718	.....	.....	558,026
All other.....	40,049	124,497	18,654	17,815	611,045	188,651
Total.....	30,999,998	25,811,063	29,666,140	37,116,810	32,671,401	34,127,253

NOTE.—Since July 1, 1906, the Norwegian and Swedish flags have been reported separately. The Japanese flag has also been reported since July 1, 1906. The above changes are by direction of the Bureau of Insular Affairs, Washington, D. C., of date May 19, 1906.

Passengers arrived at and departed from the Philippine Islands during the fiscal years 1901 to 1907 inclusive.

Nationality.	Arrived. ^a							Departed. ^b			
	1901.	1902.	1903.	1904.	1905.	1906.	1907.	1904.	1905.	1906.	1907.
Americans.....	1,832	15,915	10,920	13,151	12,931	7,647	3,068	1,438	1,910	1,833	2,028
Filipinos.....	958	560	1,150	941	1,187	693	823	751	668	587	722
Spaniards.....	687	776	789	688	569	580	544	449	551	450	494
Japanese.....	399	560	1,123	2,770	1,167	277	374	284	827	371	318
British.....	472	420	419	424	438	479	323	210	409	419	288
German.....	101	106	115	113	82	89	98	69	101	75	89
Italian.....	13	13	60	59	26	9	49	.....	.....	.....	.....
French.....	44	62	74	58	79	75	37	29	44	59	44
Other Europeans.....	199	331	269	197	200	133	134	52	124	81	62
East Indians.....	188	189	177	230	208	84	85	146	171	82	72
Chinese.....	11,726	10,465	8,762	9,089	8,825	7,966	8,141	4,112	7,715	6,719	7,122
Other Asiatics.....	26	51	40	68	15	28	36	.....	.....	.....	.....
Miscellaneous.....	375	246	198	198	174	233	196	174	255	337	485
Total.....	17,020	30,094	24,096	27,986	25,901	18,293	13,896	7,714	12,775	11,018	11,724

^a Prior to July, 1900, no statistical records were made up in this office. The captain of the port had entire charge of immigration.

^b No record of passengers departed was kept prior to January 1, 1904.

Statement of immigrants arrived at all ports in the Philippine Islands during the two fiscal years ended June 30, 1907.

Port.	Fiscal year 1906.				Fiscal year 1907.			
	Ameri-can.	Euro-pean.	All other.	Total.	Ameri-can.	Euro-pean.	All other.	Total.
Manila.....	7,606	1,326	8,487	17,419	2,992	1,146	8,722	12,860
Cebu.....	6	11	176	193	10	9	200	219
Iloilo.....	8	6	278	292	20	10	364	394
Jolo.....	3	3	186	192	5	2	176	183
Zamboanga.....	24	9	96	129	31	13	144	188
Bongao.....	.....	1	22	23	.....	.....	31	31
Balabac.....	.....	1	44	45	.....	.....	19	19
Jurata.....	.....	.....	.....	.....	.....	1	2	3
Sitanki.....	.....	.....	.....	.....	.....	.....	1	1
Total.....	7,647	1,357	9,289	18,293	3,068	1,181	9,659	13,908

In the report of immigrants arrived at all ports in the Philippine Islands during the fiscal year 1906, there is a marked difference between Americans arrived as compared with the fiscal year 1907. The reason for this is that the military and navy were included in the first six months of the fiscal year 1906. Beginning January 1, 1906, by direction of the Bureau of Insular Affairs, all military and navy were excluded.

Statement of passengers departing for foreign ports from all ports in the Philippine Islands during the fiscal year ended June 30, 1907.

[Passengers departing on United States transports not included.]

Nationality.	United States.	England.	Hong-kong.	Amoy.	Singapore.	Spain.	France.	Germany.	Other countries.	Total.
Americans	209	.....	1,611	8	36	4	4	.....	156	2,028
Filipinos	6	.....	405	143	30	49	1	3	85	722
Spaniards	1	.....	117	3	3	335	8	.....	27	494
Germans .....	.....	.....	62	.....	3	.....	5	.....	15	89
Chinese .....	.....	.....	2,027	4,903	109	.....	.....	.....	83	7,122
English	1	4	206	6	15	.....	5	.....	38	277
French .....	.....	.....	23	.....	6	2	9	.....	4	44
Scandinavian .....	.....	.....	3	.....	1	.....	.....	.....	.....	4
East Indians .....	.....	.....	40	.....	24	.....	.....	.....	8	72
Russians .....	.....	.....	2	.....	.....	.....	.....	.....	.....	2
Japanese .....	.....	.....	112	.....	3	.....	.....	.....	203	318
Irish .....	.....	.....	1	.....	.....	.....	.....	.....	1	2
Portuguese .....	.....	.....	49	.....	1	5	.....	.....	1	56
Scotch	1	1	7	.....	.....	.....	.....	.....	.....	9
All other	2	.....	72	.....	31	3	5	.....	372	485
Grand total..	220	5	4,739	5,063	262	398	37	7	993	11,724

Of the passengers departed, 1,424 were females and 10,300 males; 654 were under 15 years of age; 9,847 were between the ages of 15 and 45; and 1,223 were over 45 years of age, of whom 811 were Chinese, 189 Americans, and 64 Spaniards.

Statement of opium imported into the Philippine Islands during the fiscal years 1899 to 1907, inclusive.

[Values and duties represented in United States currency.]

Year.	Pounds.	Value.	Duty.
1899	91,823	\$255,310	\$64,586
1900	155,672	477,027	132,392
1901	221,683	619,338	187,020
1902	285,443	819,625	263,406
1903	259,473	721,551	357,575
1904	249,770	770,596	338,422
1905	268,128	850,381	366,893
1906	150,292	440,464	272,955
1907	169,933	513,287	308,277
Total	1,852,217	5,467,579	2,291,526

Statement of rice imported into the Philippine Islands during the fiscal years 1904 to 1907, inclusive.

[Values and duties represented in United States currency.]

Year.	Pounds.	Value.	Duty.
1904	727,124,332	\$11,548,814	\$1,650,720
1905	563,282,346	7,456,738	1,311,480
1906	304,351,182	4,375,500	1,049,269
1907	248,568,395	3,662,498	845,791

Decrease of duty on rice, 1907, \$203,478.

A number of tables have been omitted and are on file in the Bureau of Insular Affairs, War Department, showing in detail the following information:

Customs expenditures at all ports during fiscal years 1904, 1905, 1906, and 1907.

Chief articles of imports, by values, 1901 to 1907.

Chief articles of exports, by values, 1901 to 1907.

Principal articles imported, by ports, for 1907.

Value of merchandise entered free of duty, 1904 to 1907.

Government free entries, 1905, 1906, and 1907.

Coastwise and foreign vessels entered and cleared, with tonnage.

Summary of articles imported, 1906 and 1907.

Summary of articles exported, 1906 and 1907.

List of vessels with official numbers and signal letters.

Vessels totally wrecked or lost during 1906 and 1907.

List of vessels which have changed names.

List of seamen shipped, discharged, and deserted.

Certificates of inspection issued.

Steam vessels being repaired, awaiting repairs, condemned, lost or burned at sea.

EXHIBIT No. 4.

REPORT OF THE COLLECTOR OF INTERNAL REVENUE.

DEPARTMENT OF FINANCE AND JUSTICE,
BUREAU OF INTERNAL REVENUE,

Manila, August 10, 1907.

SIR: I have the honor to submit the following report on the operations of this bureau during the fiscal year ended June 30, 1907:

During the fiscal year 1906 the total collections made by this bureau were ₱11,366,606.70, and during the fiscal year 1907, ₱12,748,963.91, an increase of ₱1,382,357.21, or 12 per cent. Of this amount ₱202,252.70 represents the increase in the city of Manila taxes collected.

The increased tax collections were mainly on distilled spirits, cockpits, cedulas, opium, Manila real-estate tax, franchise tax of the Manila Electric Railroad and Light Company, and water rents.

There was a falling off in the tax collections on mining concessions, due to an adverse decision of the upper court; on forest products, due to the amendment to the law providing more liberal exemptions from the tax; on municipal court receipts, on pail system, on building permits and cemetery fees, due to a variety of causes; and on market-stall rentals, due to agitation of market matters during the entire fiscal year.

Summary of collections.

Item.	During the fiscal year—	
	1907.	1906.
Internal-revenue law (act No. 1189, Philippine Commission):		
Manufacturers of alcohol and tobacco products.....	₱4,736,089.51	₱4,323,144.37
Licenses—		
Dealers in alcohol and tobacco products.....	511,358.68	494,321.63
Merchants, manufacturers, and common carriers.....	1,374,245.97	1,365,392.50
Occupations, trades, and professions.....	380,172.72	308,184.49
Mines and mining concessions.....	2,140.19	15,264.72
Banks and bankers.....	141,606.78	155,160.50
Insurance companies.....	20,590.06	20,181.18
Documentary stamp taxes.....	181,136.96	166,167.38
Cedulas.....	1,919,705.00	1,756,777.00
Miscellaneous.....	897.33	125.13
Forest products.....	164,143.32	* 193,638.01
Total.....	9,432,065.52	8,808,356.91
Opium law (act No. 1461, Philippine Commission):		
Permits to habitual users.....	37,420.00	24,225.00
Tax on crude and prepared opium.....	552,201.77	57,199.89
Total.....	589,621.77	* 81,424.89
Weights and measures law (act No. 1519, Philippine Commission).....	* 5,746.15	(^d)

* Eight months only.

* Three months only.

* Manila and Province of La Laguna, four months only.

* Not in operation.

Summary of collections—Continued.

Item.	During the fiscal year—	
	1907.	1906.
City of Manila taxes (various acts of the Philippine Commission):		
Real-estate tax.....	1,302,855.00	1,308,255.31
Matadero receipts.....	164,902.53	160,049.25
Market receipts.....	238,054.41	269,430.86
Municipal licenses.....	216,850.40	197,899.74
Rentals of city property.....	19,950.32	18,730.29
Municipal court receipts.....	53,331.43	68,500.77
Pail system.....	48,508.26	59,327.16
Vault cleaning.....	39,199.00	38,061.85
Building permits.....	15,314.47	17,958.90
Water rents.....	221,187.98	210,738.69
Board of health fees.....	9,752.60	15,048.00
Justice of peace and sheriff's fees.....	22,721.22	20,447.26
Cemetery fees.....	10,996.50	13,425.09
Percentage on receipts of Manila Electric Railroad and Light Co.....	40,861.54	28,662.85
Other minor receipts, miscellaneous, and internal-revenue dividend.....	263,487.44	138,604.36
Total.....	2,668,083.10	2,465,780.40
San Lazaro estate (Executive Order No. 15, Mar. 12, 1906).....	53,467.37	*16,044.50
RÉSUMÉ OF COLLECTIONS.		
Internal-revenue taxes.....	9,432,095.52	8,808,356.91
Opium taxes.....	589,621.77	81,424.89
Weights and measures taxes.....	5,746.15	(*)
Municipal taxes, city of Manila.....	2,668,083.10	2,465,780.40
San Lazaro estate rentals.....	53,467.37	16,044.50
Total.....	12,748,963.91	11,366,606.70

* Three months only.

* Not in operation.

Of the total taxes given above, 63 per cent were collected in Manila, and 37 per cent in the provinces.

APPORTIONMENT OF INTERNAL-REVENUE TAXES.

Under the apportionment provisions of act No. 1189 the internal-revenue taxes collected as above will accrue to the various treasuries as follows:

	1907.	1906.
To the insular treasury.....	₱5,425,485.23	₱5,128,871.80
To the provincial treasuries:		
One-half of cedula taxes.....	959,852.50	-----
10 per cent other collections.....	723,398.03	-----
Total.....	1,683,250.53	1,561,438.08
To the municipal treasuries:		
One-half cedula taxes.....	959,852.50	-----
15 per cent other collections.....	1,085,097.04	-----
Certain license taxes.....	278,410.22	-----
Total.....	2,323,359.76	2,119,047.08
Grand total.....	9,432,095.52	8,808,356.91

The total cost to the government for the collection of these taxes was ₱40,461.47, equal to 5 centavos for each peso collected. This sum includes ₱100,000 paid from the city of Manila appropriation as salary and contingent expenses of the assessment and collection of city taxes, from July 1, 1906, to June 30, 1907. The above sum, however, does not include the expenses of collection incurred by the provincial governments.

The partial merging of the former office of the city assessor and collector in the bureau of internal revenue, on August 1, 1904, and its complete merging,

under the provisions of the reorganization act, on January 1, 1906, has resulted in a distinct economy to the city of Manila in the cost of collecting its taxes during the past three or four years. The following figures represent the annual cost to the city of Manila for this service during the fiscal years stated:

1904-----	₱163, 791. 38	1907-----	₱100, 000. 00
1905-----	131, 747. 60	1908-----	100, 000. 00
1906-----	104, 478. 19		

The percentage cost for collecting the city of Manila taxes during the fiscal year 1906 was 4.2, while during the fiscal year 1907 there was a decrease in the cost for collection, and an increase of over ₱200,000 in the amount of taxes collected, resulting in a decrease in the percentage cost for collection from 4.2 to 3.7.

PART 1.

INTERNAL-REVENUE TAXES.^a

ALCOHOL AND TOBACCO PRODUCTS.

DISTILLED SPIRITS.

There were collected as taxes on spirits removed for domestic consumption ₱1,681,419, as against ₱1,303,573.04 collected during the fiscal year ended June 30, 1906. This represents a gain in the tax collections of ₱377,845.96, equal to an increase in the output from the distilleries of 1,889,229 proof liters of distilled spirits or compounded liquors. There were 2,464 liters of proof spirits of domestic manufacture exported to other countries. During the year the majority of the 450 *cauas* heretofore in operation have disappeared and about 50 stills of a more modern type have been installed, or are being installed, in their place in the various provinces. As fast as the modern stills are installed gaugers have been detailed to service therein.

In 1905 the distillers of Bulacan and Pampanga, where modern equipment was in use, were the first to receive attention, and the output of distilled spirits during the following *tuba* season of 1906 showed a satisfactory increase in the quantity produced, as well as a better control of the output. In 1906 more serious attention was devoted to the smaller distillers in the provinces throughout the islands in the way of betterment and control, and regulations were issued regarding the equipment and operations of the distilleries, both large and small.

The substitution of the modern continuous process of distillation for the ancient form of *cauas* in use by the small distillers was generally opposed by them, because, first, the distilled spirits produced by the modern continuous method lacked the distinctive flavor of the nipa palm or cocoa tree; second, the cost, about ₱3,000 and upward, was beyond their means, and, third, there is always a strong disinclination among these distillers for partnership or association ownership. Active work was done to satisfactorily answer these three objections. First, a sample still, or modern *caua*, as it has been named, was devised that does preserve the distinctive flavor demanded by the consumers; second, this type of still or modern *caua* is being installed at the cost of approximately ₱1,200; third, on account of the automatic arrangement of the plant, partnership or association ownership is encouraged, for the reason that from the instant the vapor from the *tuba* is condensed and becomes distilled spirits these spirits can not be diverted to any other receptacles than to one of the official receiving tanks, of which two or more are required, and which are continuously under official seal. No distilled spirits can be drawn from these receiving tanks until the seal is first broken by the official storekeeper-gauger in the presence of the owner or manager of the distillery, and all withdrawals measured, gauged, and certified to by the gauger. Samples of the distilled spirits produced are invariably gauged by the gauger in the presence of the owner or manager of the distillery, and the production and removal of the distilled spirits from the distillery is entered in the official

^a Collected under authority of acts Nos. 1189, 1257, 1338, and 1370, Philippine Commission.

books of the distillery by the owner or manager under the supervision of the gauger. The samples of distilled spirits produced, as well as those removed, are set aside, under seal, for inspection on the next visit of the supervising internal-revenue agent in charge of the district, who sees that the entries in the books are of the grade of the samples he has inspected. This insures to the absent owner a supervision of the distillery as close as he could give were he present.

FERMENTED LIQUORS.

There were collected as taxes on beer removed for domestic consumption ₱122,390, as against ₱121,158.40 during the year ended June 30, 1906. This represents a gain in the tax collections of ₱1,231.60, equal to an increase in the output of the one brewery in the islands of 30,790 gauge liters of beer. Eight hundred and seventy-eight liters of beer of domestic manufacture were exported to other countries. German and American beers continue to be imported in small quantities, mostly in kegs; the prices at which these foreign beers are sold prevents serious competition with the domestic product. For the present it is believed that the customs duty on imported beer is ample to protect the local brewery from foreign competition.

LEAF TOBACCO.

The demand for leaf tobacco suitable for the manufacture of cigars for export continued during the past year to exceed the supply. Little has been done toward improving the quality of the leaf or increasing the area under cultivation. The stocks of seasoned leaf are becoming depleted and the use of green tobacco is being resorted to. The regulations prepared by this office for the guidance of tobacco growers, manufacturers, and internal-revenue officers have now been printed and will at once be put into operation.

MANUFACTURED TOBACCO, SMOKING AND CHEWING.

There were collected as taxes on manufactured tobacco removed for domestic consumption, ₱106,287.54, as against ₱120,695.25 during the fiscal year ended June 30, 1906. This represents a loss in the tax collections of ₱14,407.71, equal to a decrease in the output from the various manufactories of 30,016 kilograms of smoking and chewing tobacco. In addition to the manufactured tobacco consumed in these islands, and which paid the tax as above, the exports of smoking tobacco, free of tax, during the year to other countries were as follows:

Country to which exported.	Total exports for the fiscal year—		Total exports during first year's operation of law.
	1907.	1906.	
	<i>Kilos.</i>	<i>Kilos.</i>	<i>Kilos.</i>
Gibraltar.....	55,201	28,169	-----
Canary Islands.....	8,280	1,840	-----
High seas.....	7,191	5,676	-----
Italy.....	1,840	1,840	-----
China.....	1,290	1,497	1,958
England.....	498	-----	2,320
Morocco.....	460	-----	-----
Germany.....	418	3	-----
India.....	194	108	-----
Straits Settlements.....	36	-----	2,514
Central Africa.....	23	-----	-----
Spain.....	8	1,840	7,949
New Guinea.....	4	-----	-----
Indo-China.....	3	-----	-----
Africa.....	-----	18,400	-----
Egypt.....	-----	6	-----
United States.....	-----	1	-----
Japan.....	-----	-----	3
Total.....	75,446	59,380	15,044

CIGARS.

There were collected as taxes on cigars removed for domestic consumption, ₱189,850.57, as against ₱181,998.61 during the fiscal year ended June 30, 1906. This represents a gain in the tax collections of ₱7,851.96. In addition to the cigars consumed in these islands and which paid the tax, as above, cigars were exported, tax free, during the year to other countries as follows:

Country to which exported.	Total exports for the fiscal year—		Total exports during first year's operation of law.
	1907.	1906.	
	Number.	Number.	Number.
China.....	52,329,068	41,277,617	49,735,660
England.....	11,106,243	9,956,576	5,258,583
Australia.....	10,428,046	11,300,571	6,059,808
Straits Settlements.....	8,456,951	6,308,658	7,857,821
Spain.....	6,207,708	3,115,290	3,280,170
Japan.....	4,778,085	339,615	584,727
India.....	4,308,799	4,291,376	1,779,614
France.....	3,296,005	3,640,900	1,875,000
High seas.....	3,030,880	3,130,419	862,782
Germany.....	2,447,087	3,579,465	747,007
South America.....	1,946,000	1,553,100	752,137
South Africa.....	1,394,962	—	—
Canada.....	1,216,500	522,690	116,153
New Zealand.....	802,426	672,649	131,716
Java.....	768,175	226,400	476,167
Denmark.....	587,350	1,199,080	—
Indo China.....	554,181	256,449	502,910
Austria.....	515,000	—	—
Italy.....	489,350	744,050	273,570
Gibraltar.....	463,500	600,150	—
Siam.....	460,275	—	—
Holland.....	428,600	208,500	55,000
Scotland.....	390,070	6,025	19,700
Korea.....	306,075	121,130	16,296
Belgium.....	291,990	74,675	25,500
Malta.....	285,250	—	—
Canary Islands.....	220,000	330,000	—
Honolulu.....	156,975	202,030	144,500
United States.....	82,175	251,206	167,693
Portugal.....	37,300	—	—
Egypt.....	37,000	32,500	43,050
Morocco.....	30,000	—	—
Guam.....	28,100	22,000	—
New Guinea.....	23,509	—	—
Arabia.....	21,475	—	—
North Africa.....	10,850	—	—
Samoa Islands.....	10,000	—	—
Persia.....	5,000	—	5,000
Switzerland.....	4,375	318,629	82,175
East Africa.....	3,125	—	—
Central Africa.....	1,600	—	—
Siberia.....	750	—	—
Africa.....	—	162,632	455,391
Russia.....	—	11,280	—
Guatemala.....	—	6,000	—
Total.....	117,766,660	94,341,542	81,258,130

The following comparative figures are submitted:

Year.	Cigars manufactured and—		Total.
	Consumed in the Philippine Islands.	Exported to foreign countries.	
	Number.	Number.	Number.
First year's operation of law.....	69,652,820	81,258,130	150,910,950
Fiscal year ended June 30, 1906.....	74,184,587	94,341,542	168,526,079
Fiscal year ended June 30, 1907.....	79,476,459	117,766,660	197,243,119

China continues to be the best customer for Philippine cigars. There was a marked increase in the number of cigars exported during the year to England, Straits Settlements, Spain, and Japan, and new markets have been opened in

Africa, Austria, Siam, Malta, Portugal, Morocco, Arabia, Samoa, and Siberia. There was a sharp decrease in the number of cigars exported to the United States.

CIGARETTES.

There were collected as taxes on cigarettes removed for domestic consumption ₱2,360,485.49, as against ₱2,357,683.14 during the fiscal year ended June 30, 1906. This represents a gain in the tax collections of ₱2,802.35. In addition to the cigarettes consumed in these islands and which paid the tax, as above, cigarettes were exported, tax free, during the year to other countries as follows:

Country to which exported.	Total exports for the fiscal year—		Total exports during first year's operation of law.
	1907.	1906.	
	<i>Number.</i>	<i>Number.</i>	<i>Number.</i>
China.....	152,506,287	18,347,177	8,924,655
Straits Settlements.....	1,737,100	705,336	666,990
Siam.....	1,567,600		
India.....	675,654	168,450	211,820
High Seas.....	562,500	622,449	245,341
England.....	307,682	25,950	697,194
Korea.....	240,000	155,250	
Guam.....	210,000	165,000	159,700
Australia.....	120,335	97,278	263,528
Belgium.....	92,000	22,500	
Indo China.....	91,904	240,280	
New Guinea.....	91,750		
Germany.....	59,506	56,062	
South Africa.....	40,000		
Japan.....	20,548	17,828	113,815
Spain.....	9,269	54,400	1,231,325
United States.....	4,500	135,984	191,916
New Zealand.....	4,200		
France.....	3,000	100,000	1,040,000
Holland.....	3,000		
Gibraltar.....	2,500		
Denmark.....	675		
Java.....		85,500	27,785
South America.....		63,750	
Switzerland.....		4,200	821,430
Siberia.....		450	
Canada.....			14,765
Total.....	158,349,804	21,062,844	14,910,265

The following comparative figures are submitted:

Year.	Cigarettes manufactured and—		Total.
	Consumed in the Philippine Islands.	Exported to foreign countries.	
	<i>Number.</i>	<i>Number.</i>	<i>Number.</i>
First year's operation of law.....	2,964,441,590	14,910,265	2,979,351,855
Fiscal year ended June 30, 1906.....	3,509,038,750	21,062,844	3,530,101,594
Fiscal year ended June 30, 1907.....	3,509,990,675	158,349,804	3,668,340,479

MATCHES.

There were collected as taxes on domestic and imported matches ₱275,656.91, as against ₱243,035.93 during the fiscal year ended June 30, 1906. This represents a gain of ₱32,620.98. Imported matches, largely Japanese, supplied 38 per cent of the trade, and domestic matches 62, while during the fiscal year ended June 30, 1906, the proportion was: Imported matches, 42 per cent; domestic matches, 58 per cent.

LICENSE TAXES.

DEALERS IN ALCOHOL AND TOBACCO PRODUCTS.

There were collected as specific license taxes ₱511,358.68, as against ₱404,321.63 during the fiscal year ended June 30, 1906. Of this amount 49 per cent was paid by dealers in distilled and manufactured liquors, 33 per cent by dealers in tobacco products, 10 per cent by dealers in beer, and 8 per cent by manufacturers and peddlers.

MERCHANTS, MANUFACTURERS, AND COMMON CARRIERS.

There were collected as percentage taxes ₱1,374,245.97, as against ₱1,365,392.50 during the fiscal year ended June 30, 1906. Of this amount 94 per cent was paid by merchants, 5 per cent by manufacturers, and 1 per cent by common carriers. The taxes collected from merchants and manufacturers, capitalized at the rate of ₱1 tax payment for each ₱300 worth of sales, indicates a total value of declared sales of commodities, excepting alcohol and tobacco products, during the year of ₱406,708,590, equal to an increase of over six and one-half million pesos of business done during the fiscal year 1907 as compared with the preceding fiscal year. If to this amount is added the value of all goods and agricultural products not declared for taxation, because exempt, it is believed that the total value of all sales actually made in these islands during the year would not fall far short of one-half billion pesos.

OCCUPATIONS, TRADES, AND PROFESSIONS.

There were collected as specific license taxes ₱380,172.72, as against ₱308,184.49 during the fiscal year ended June 30, 1906. Of this amount 67 per cent was paid by proprietors of cockpits; 16 per cent by lawyers, doctors, civil engineers, and surveyors, and 17 per cent by all other occupation-license taxpayers. By the provisions of the internal-revenue law the license-tax collections from owners of cockpits accrued intact to the treasuries of the various municipalities in which such taxes are collected. Many of the municipalities availed themselves of the provisions of an amendment to the law authorizing the imposition by municipal boards of additional taxes on cockpits. The result was a substantial increase in the revenues from this source as compared with the fiscal year 1906.

CEDULAS PERSONALES.

There were collected from the sale of *cedulas personales*, or certificates of registration, ₱1,919,705, as against ₱1,756,777 during the fiscal year ended June 30, 1906. This increase was due to an annual increase of about 2 per cent in the population, the more complete collection of the tax, and the payment during the last fiscal year of taxes remaining delinquent from previous years. The cedula is in the nature of a poll tax, and every male person in the islands between 18 and 60 years of age is subject to its payment at the rate of ₱1 if paid during the first four months of the calendar year, and at the rate of ₱2 if paid thereafter. Over 78 per cent of the cedulas sold during the year were of the ₱1 class. Consular representatives of other countries and certain other persons are specifically exempted by law from the payment of this tax, as are also most of the members of the non-Christian tribes.

DOCUMENTARY STAMP TAXES.

There were collected from the sale of documentary stamps ₱181,136.96, as against ₱166,167.38 during the fiscal year ended June 30, 1906.

MINES AND MINING CONCESSIONS.

There were collected, as license taxes and percentage taxes on the output of old Spanish mining concessions, ₱2,140.19, as against ₱15,264.72 during the fiscal year ended June 30, 1906. All valid perfected mining concessions granted prior to April 11, 1899, are made subject to internal-revenue taxes on and after January 1, 1905. The owner of one of the largest concessions paid the taxes on his mines under protest during 1906, and brought suit against the collector of internal revenue for recovery of the amounts paid, on the ground that they were illegally collected, alleging that under the treaty of Paris the Philippine Commission exceeded its powers in imposing a tax on these old concessions. The

lower court sustained the collector, and the owner of the mines appealed to the supreme court of the islands, which reversed the decision of the lower court. The case was placed in the hands of the attorney-general, and has now gone on appeal to the Supreme Court of the United States for final decision. The collection of these taxes has been suspended.

BANKS AND BANKERS, AND INSURANCE COMPANIES.

There were collected as taxes on deposits, capital employed, and circulation of banks ₱141,606.78, as against ₱155,160.50 during the fiscal year ended June 30, 1906. During the same periods there were collected as taxes on the premiums received by insurance companies ₱20,599.06 and ₱20,181.18, respectively.

FOREST PRODUCTS.

There were collected on timber and minor products removed from the public forests and forest reserves ₱26,936.47, paid in cash under the old forestry regulations, and ₱164,143.32 paid by the purchase, affixture, and cancellation of internal-revenue stamps under the regulations obtaining since this bureau took over the work of collecting these taxes. By the provisions of act No. 1407 of the Philippine Commission the tax rates previously obtaining on forest products were materially reduced and the list of exemptions from the payment of the tax was materially increased.

COMPARATIVE FIGURES.

The total collections under act No. 1189 since its enactment are as follows:

August 1, 1904, to June 30, 1905.....	₱5, 200, 383. 95
July 1, 1905, to June 30, 1906.....	8, 803, 356. 91
July 1, 1906, to June 30, 1907.....	9, 432, 095. 52

The total collections during the two years and eleven months' operation of the law have been ₱23,435,836.38. Reports of collections during the month of July, 1907, amounting to ₱880,271.96, are now available. The total collection of internal-revenue taxes during three full years' operation of the law, therefore, has been ₱24,316,108.34. The internal-revenue law was only partially in operation between August 1 and December 31, 1904.

STAMP AND CEDULA ACCOUNTS.

Since this bureau was organized until June 30, 1907, internal-revenue and documentary stamps (old series), cedulas, and opium users' permits have been delivered by the director of printing to the insular treasurer, withdrawn by the collector of internal revenue, and issued to the assessor and collector of Manila, and to the various provincial treasurers, of the following values:

Disposition.	Old series.		Cedulas.	Opium users' certificates.	Total.
	Internal-revenue stamps.	Documentary stamps.			
On hand July 1, 1906.....	₱1, 064, 368. 80	₱180, 904. 86	₱165, 980. 00	₱102, 900. 00	₱1, 514, 153. 66
Received from insular treasurer, July 1, 1906, to June 30, 1907.....	4, 546, 600. 00	277, 000. 00	1, 602, 800. 00	.....	6, 425, 900. 00
Received from director of printing through insular treasurer, July 1, 1906, to June 30, 1907.....	.....	.....	700, 200. 00	.....	700, 200. 00
Returned by provincial treasurers.....	2, 809, 718. 69	199, 444. 14	218, 110. 00	8, 990. 00	3, 226, 257. 83
Total.....	8, 420, 682. 49	657, 348. 50	2, 681, 570. 00	106, 899. 00	11, 866, 499. 99
Issued to provincial treasurers, July 1, 1906, to June 30, 1907.....	4, 241, 018. 20	95, 806. 00	2, 162, 198. 00	14, 700. 00	6, 513, 217. 20
Balance.....	4, 179, 669. 29	562, 042. 50	519, 372. 00	92, 190. 00	5, 353, 273. 79
Destroyed by auditor's inspectors.....	17, 183. 82	1, 098. 46	88, 987. 00	.....	107, 214. 28
Balance on hand June 30, 1907.....	4, 162, 485. 47	560, 949. 04	430, 435. 00	92, 190. 00	5, 246, 069. 51

All of the internal-revenue and documentary stamps enumerated above are of the first series used by this bureau, and so soon as the reports from six of the minor provinces, now delinquent, are received and liquidated, the collector of internal revenue will request the appointment of a committee, to act in conjunction with representatives from the auditor's office, to count and witness the destruction of all of said old stamps.

During December, 1906, this office received from the Bureau of Engraving and Printing at Washington, D. C., internal-revenue stamps of the new series of a total value of ₱42,380,000 and documentary stamps of a total value of ₱4,250,000; total, ₱46,630,000. On January 1, 1907, the new stamps were issued to the assessment and collection division of this office for sale in Manila, and all of the stamps of the old series were withdrawn. During the next three or four months stamps of the new series were issued by this office to each of the provincial treasurers, and by them to their municipal deputies in each town in the islands, and the old stamps were called in. Up to June 30, 1907, stamps of the new series were thus issued by this office of the following total value: Internal revenue, ₱5,929,009.60; documentary, ₱175,512; total, ₱6,104,521.60. Collections of internal-revenue taxes have been made exclusively by the use of the new series of stamps, in every municipality, during the past two or three months.

PART 2.

CITY OF MANILA TAXES.*

REAL-ESTATE TAX.

The real-estate tax, furnishing as it does 49 per cent of all municipal revenues and over 56 per cent of all taxes collected by the city of Manila, is the city's most important source of revenue.

Efforts have been made by some of the largest holders of real estate to secure a reduction of the tax rate, which is now only 1½ per cent. Such requests have usually been based upon the claim that real estate in Manila has been assessed too high. These assertions, however, appear to be unfounded, because (1) of the fact that of the 15,780 parcels of property in Manila subject to taxation appeals were taken on only 298, of which only in the case of 34 were reductions made by the board of tax appeals; (2) that in the case of the five appeals so far taken and considered by the board of central equalization, under the provisions of act No. 1474 of the Philippine Commission, none have been reduced, the central equalization board in every case confirming the valuation placed upon the property by this office; and (3) of information gathered by this office as to rentals received for several thousand parcels of properties in all parts of the city, which shows that, based upon the present assessed valuations, the average rental received is over 17 per cent per annum. Inasmuch as there are no special assessments levied against Manila property, as is done in nearly all the cities of the United States, a tax rate of 1½ or even 2 per cent does not seem excessive.

The work of completing the assessment maps showing the exact boundaries of the various parcels of land has been continued in the same thorough manner as has been done in the past. The exact measurements of the blocks and lots are taken and platted as rapidly as the city engineer's office furnishes the "perimeters" of the various city blocks. The results are very satisfactory, as is shown by the fact that of the 725 blocks, containing an average of about 10 different parcels or lots to each block, maps have been completed for 436 blocks, leaving unfinished only 289 blocks. Efforts have been made to secure from the owners exact plans of their property, but up to June 30, 1907, plans for only 1,270 parcels had been received.

The total value of taxable real estate in the city of Manila, as shown by the 1907 tax rolls, is ₱81,689,785. This is an increase of ₱1,164,550 over the valuation for 1906, due to new buildings erected and additions made to the tax rolls of some small properties that had heretofore escaped taxation.

Manila probably has a larger list of exempt property than any city of its size in the United States. Of a total assessment of ₱127,887,366 of real estate in the city, ₱46,197,581, over 36 per cent, is exempt from taxation by reason

* Collected under authority of act No. 183, Philippine Commission, and various ordinances and resolutions of the municipal board of Manila.

of its being used for religious, charitable, scientific, or educational purposes and not held for profit; or because of its belonging to some branch of the government. The exempt property may be classified as to ownership as follows: Insular government, ₱15,522,165; United States Army, ₱7,347,888; city of Manila, ₱4,745,504; government ownership but branch not determined, ₱3,149,356; Catholic churches, ₱5,607,849; Protestant churches, ₱322,386; religious orders, ₱9,437,763; miscellaneous, ₱64,870.

There has been a gradual decline from year to year in the value of new buildings erected in the city. During the calendar year 1903 there were erected buildings to the value of ₱3,784,320; 1904, ₱3,489,846; 1905, ₱2,682,606; 1906, ₱1,504,506. Apparently capital is being diverted to commercial undertakings, etc., although real estate with even ordinary improvements continues to be a good investment, paying in rentals from 12 to 22 per cent.

Of the total population of the city, 11,921 are real-estate owners. Small houses of the value of ₱50 or less are not assessed, and therefore are not included in these figures. Sixty-two persons and firms own 30 per cent of all the taxable real estate; fifteen persons or firms own 16 per cent. There are five persons or firms that each own taxable real estate to the value of ₱1,000,000 or over; fifteen persons or firms that own taxable real estate to the value of ₱500,000 or over, and thirty-one persons or firms that own taxable real estate to the value of ₱100,000 or over.

Excellent results have been attained in the collection of both delinquent and current taxes, as will be seen by the statement of collections below. Three tax sales were held, for which 340 pieces of property were advertised, of which 118 were sold, the rest being redeemed after advertisement and before sale. Ten parcels were forfeited to the city, there being no bidders. No property was offered for sale unless the tax on same was delinquent for two years or more. Taxes on the majority of the property sold were delinquent for periods ranging from three to five years. The owners of the properties sold have one year from the date of the sale in which to redeem, and, judging by past experience, it is safe to assume that nearly all of it will be redeemed. Eighteen of the properties sold during the year have already been redeemed.

In February, 1907, authority was secured for the cancellation of delinquent taxes to the amount of ₱8,188.68, which represented taxes due on small houses for the years 1901 to 1905, inclusive. The houses having been destroyed, and the owners not owning the land on which they had formerly been located, there was no means of making these collections.

The following statements show the amount of tax, penalty, and interest paid during the fiscal year 1907, for each of the years from 1901 to 1907, inclusive, and also the tax satisfied by other means than cash payments:

Due for the fiscal year—	Tax satisfied.				Credit allowed.				Total.
	Tax.	Penalty.	Interest.	Total.	Act No. 975.	Act No. 1420.	Various credits.	Total.	
1901.....	₱11.00	₱1.66	₱3.72	₱16.38	.....	.....	.....	.....	₱16.38
1902.....	164.92	24.82	54.00	243.74	.....	.....	.....	.....	243.74
1903.....	4,044.97	506.69	666.00	5,217.66	₱669.40	.....	.....	₱669.40	4,548.26
1904.....	15,628.57	2,381.77	2,496.72	20,456.06	90.42	.....	.....	90.42	20,365.64
1905.....	56,992.98	8,584.69	5,896.21	71,423.88	140.22	.....	.....	140.22	71,283.61
1906.....	448,015.81	16,940.77	8,911.53	468,868.11	577.09	₱1,786.07	₱259.48	2,622.64	466,245.47
1907 a.....	741,215.88	987.54	1,822.73	743,476.15	584.69	1.65	245.54	831.88	742,644.27
Total.....	1,266,074.08	29,277.94	14,349.91	1,309,701.93	2,061.82	1,787.72	506.02	4,354.56	1,305,347.37
Less tax satisfied by forfeiture of property to the city, owner having 1 year in which to redeem.....									2,492.37
Cash collected.....									1,302,855.00

* Including back tax on property that has heretofore escaped taxation.

The following is a detailed statement of 1907 or current tax collections:

Assessed value of all real estate, as shown by 1907 rolls.....	₱81,689,785.00
Tax levy, 1½ per cent.....	1,225,346.78
Back taxes taken up for the years 1901 to 1906 (sec. 50, act No. 183).....	8,819.35
Total	1,234,166.13

Less net reductions made in tax rolls on account of erroneous and double assessments discovered-----	₱607. 28
Leaving total tax for collection in 1907-----	1, 233, 558. 85
Amount of taxes proper satisfied for 1907-----	741, 215. 88
Penalties and interest on back taxes taken up for 1901 to 1906-----	2, 260. 27
Total -----	743, 476. 15
Less tax satisfied by credits allowed under the provisions of act No. 975 and on account of overpayments made during 1906 due to changing levy from 2 to 1½ per cent after payments had been made-----	831. 88
Net cash collection -----	742, 644. 27

The following comparative statement shows the amount of delinquent taxes outstanding on June 30, 1906, and June 30, 1907:

Year.	On June 30—	
	1906.	1907.
1901	₱410. 02	₱15. 86
1902	2, 367. 64	115. 02
1903	5, 646. 60	207. 16
1904	20, 034. 29	1, 076. 86
1905	64, 356. 35	3, 577. 84
1906		53, 658. 58
Total	92, 814. 90	58, 650. 77

From which it will be seen that on June 30, 1907, the amount of delinquent tax was ₱34,164.13 less than on June 30, 1906. There were six years' taxes on June 30, 1907, to swell the delinquency as against only five years on June 30, 1906. It should be stated here, however, that the ₱8,188.68 uncollectible taxes that have been canceled would, of course, reduce the delinquency to that extent. However, had this cancellation been made before June 30, 1906, the amount of delinquent tax on June 30, 1907, would still be ₱25,975.45 less than on June 30, 1906.

MATADERO.

As predicted in the last annual report, the collections at the matadero have increased, although slightly, as compared with the fiscal year 1906. The following statement shows, by months, the number of animals slaughtered and removed for consumption, the weight of dressed meat, and the fees collected at the rate of 3 centavos per kilo on dressed meat:

Month.	Cattle.			Hogs.			Sheep.		
	Number.	Weight.	Collection.	Number.	Weight.	Collection.	Number.	Weight.	Collection.
1906.		<i>Kilos.</i>			<i>Kilos.</i>			<i>Kilos.</i>	
July	1, 668	228, 128	₱6, 783. 84	4, 801	249, 188	₱7, 475. 64	2	13	₱0. 39
August	1, 800	230, 697	6, 920. 91	4, 267	219, 714	6, 591. 42	1	10	. 30
September	1, 877	245, 571	7, 367. 13	4, 455	231, 711	6, 951. 33			
October	1, 782	235, 642	7, 069. 26	4, 765	235, 099	7, 052. 97			
November	1, 616	216, 651	6, 499. 53	4, 283	220, 240	6, 608. 40			
December	1, 845	238, 501	7, 155. 03	4, 698	237, 309	7, 119. 27			
1907.									
January	1, 765	280, 356	6, 910. 68	4, 741	289, 736	7, 192. 08	2	34	1. 02
February	1, 457	188, 439	5, 653. 17	4, 559	225, 604	6, 768. 12	6	140	4. 20
March	1, 452	191, 262	5, 737. 86	4, 729	233, 090	6, 992. 70	28	259	7. 77
April	1, 722	213, 589	6, 407. 67	4, 583	238, 379	7, 151. 37	45	367	11. 01
May	1, 806	224, 064	6, 722. 52	4, 775	250, 084	7, 502. 52	73	573	17. 19
June	1, 846	227, 214	6, 816. 42	4, 639	248, 541	7, 456. 23	67	476	14. 28
Total	20, 636	2, 668, 144	80, 044. 32	55, 285	2, 828, 735	84, 862. 05	224	1, 872	56. 16

Total collections, ₱164,962.53.

There were condemned and cremated 22 head of cattle and 306 hogs, besides a large number of parts of carcasses, the same having been declared unfit for human consumption by the veterinary inspectors on duty at the matadero. The number of diseased hogs that are slaughtered seems to be on the increase. Of the 306 condemned during the year, 253 were condemned during the last six months, and 67 of these during the month of June.

As shown above, there were slaughtered and removed from the matadero for consumption 76,145 animals weighing, dressed, 5,498,751 kilos, as compared with 71,792 animals weighing, dressed, 5,334,975 kilos removed during the fiscal year 1906.

The expense incident to operating the matadero shows a slight increase over that for the previous year, and is due wholly to the increased price which has been paid for wood, large quantities of which are used as fuel in scalding hogs, etc. The expenses were as follows:

Salaries and wages.....	₱8,580.00
Blank forms, stationery, etc.....	191.41
Supplies, wood, oil, etc.....	1,313.35
Total	10,084.79

which represents a fraction over 6 per cent of the collections.

PUBLIC MARKETS.

The number and location of the city markets remained unchanged. Of the nine markets, losses are shown in the collections made as compared with the previous year, in seven markets, as follows:

Divisoria	₱15,858.49	Anda	₱930.88
Quinta	4,169.01	Santa Ana	157.83
Arranque	117.70	Pandacan	45.14
Herran	893.02		

Increases are shown in collections made in two markets, as follows:

Sampaloc	₱1,013.05
Gagalangin	243.09

The total market collections amounted to ₱238,711.46 (₱657.05 representing collections for June 29 and June 30 was not deposited in time to take credit on statement of total collections), as compared with ₱269,430.88 during the fiscal year 1906, resulting in a loss as compared with 1906 of ₱30,719.42. Of this loss, ₱8,531.35 was due to the fact that collection of market fees to that amount was made at the various bay, river, and estero landings during a little over six months of the fiscal year 1906, whereas none whatever was made during 1907. The municipal board discontinued same on January 8, 1906.

The larger part of the loss shown above is due primarily to the constant agitation in the various markets throughout the entire year, which created a state of uncertainty and unrest among the market-stall renters. It was predicted in the last annual report that there would be a loss of about ₱10,000 due to the cessation of collections at bay, river, and estero landings. However, the loss on that account has been even greater, and is due to the fact that until the enactment of ordinance No. 93 (license and permit ordinance), which became effective April 1, 1907, the municipal board took no action to prohibit the sale of market produce at the various landings referred to above. By the provisions of ordinance No. 93 the sale of many articles of produce is practically prohibited except in the public markets, which has had a tendency to increase market collections during April, May, and June, 1907.

The expenses incident to the making of market collections were ₱18,106.34, or a saving as compared with the expenses for 1906 of ₱2,407.56. The expenses for the year 1907 represent a fraction over 7½ per cent of the collections, or about the same as for the year 1906.

The market collections should show a material increase during the year 1908, owing to the increased stall rentals in effect in Quinta market, which became effective June 15, and to the restrictions regarding the sale of various articles of market produce outside the public markets, as provided by ordinance No. 93.

REPORT OF THE COLLECTOR OF INTERNAL REVENUE. 133

The following statement shows the collections, by months, of each market during the fiscal year 1907:

Name of market.	July.	August.	Septem-ber.	October.	November.	December.	Total half year ending Dec. 31, 1906.
Divisoria	₱12,644.86	₱8,978.80	₱9,945.25	₱11,629.30	₱10,465.10	₱6,578.90	₱60,242.21
Quinta	4,380.10	3,761.15	3,806.30	4,879.80	4,291.10	5,389.50	26,506.95
Arranque	1,989.05	1,975.50	1,848.80	2,114.06	1,884.75	2,579.70	12,391.85
Sampaloc	638.45	709.00	676.15	814.35	737.60	761.90	4,337.45
Herran	872.85	843.25	833.00	1,017.50	911.70	919.25	5,397.55
Anda	110.90	112.25	113.85	122.25	99.95	106.75	665.95
Santa Ana	112.70	119.20	114.60	120.60	117.00	115.05	699.15
Gagalangin	76.20	80.10	75.75	82.35	86.15	92.25	492.80
Pandacan	80.90	102.15	84.70	97.05	90.95	86.35	542.10
Total	20,906.01	16,681.40	17,497.40	20,577.25	18,684.30	16,629.65	111,276.01

Name of market.	January.	February.	March.	April.	May.	June.	Total half year ending June 30, 1907.
Divisoria	₱12,239.05	₱11,234.60	₱11,339.20	₱13,806.30	₱11,671.60	₱11,862.35	₱71,653.10
Quinta	4,691.35	4,610.85	4,778.25	5,967.65	5,254.50	5,537.50	30,830.10
Arranque	1,952.85	1,844.95	1,944.00	2,283.15	2,204.00	2,186.55	12,365.50
Sampaloc	651.65	623.85	674.90	802.65	751.20	717.80	4,222.05
Herran	846.80	780.50	840.20	1,118.20	1,143.75	1,054.40	5,783.35
Anda	99.95	85.25	99.55	114.40	120.00	102.40	621.55
Santa Ana	121.00	110.30	121.25	135.30	141.60	126.85	756.80
Gagalangin	96.20	89.65	92.95	101.85	114.30	106.30	601.25
Pandacan	85.25	75.95	90.55	107.15	127.90	115.45	602.25
Total	20,783.60	19,455.90	19,980.85	24,426.65	21,523.85	21,259.60	127,435.45

Name of market.	Total 6 months ending Dec. 31, 1906.	Total 6 months ending June 30, 1907.	Total fiscal year ending June 30, 1907.
Divisoria	₱60,242.21	₱71,653.10	₱131,895.31
Quinta	26,506.95	30,830.10	57,337.05
Arranque	12,391.85	12,365.50	24,757.35
Sampaloc	4,337.45	4,222.05	8,559.50
Herran	5,397.55	5,783.35	11,180.90
Anda	665.95	621.55	1,287.50
Santa Ana	699.15	756.80	1,455.95
Gagalangin	492.80	601.25	1,094.05
Pandacan	542.10	602.25	1,144.35
Total	111,276.01	127,435.45	238,711.46

MUNICIPAL LICENSES.

From July 1, 1906, to and including March 31, 1907, the only occupations, trades, professions, and objects subject to the payment of municipal license taxes were: Peddlers (excepting those who sell only native vegetables, fruits, or foods personally carried by themselves), auctioneers, plumbers, hotels, restaurants, boarding houses, lodging houses, livery stables, race tracks, public vehicles, and dogs. These license taxes were imposed by the provisions of city ordinance No. 9.

On February 11, 1907, the municipal board enacted ordinance No. 93, which repealed ordinance No. 9, and became effective April 1, 1907. By the passage of this ordinance the following occupations, trades, professions, and objects were made subject to the payment of license taxes and permit fees, in addition to the above mentioned: Advertising agents, barbers, billiard and pool tables, boarding stables, bowling alleys, clubs, dance halls, detective agencies, embalmers, establishments for the storage of highly combustible or explosive materials, ferries, manufacture and sale of food and drink, fortune tellers, jugglers and acrobats, laundries and dyeing and cleaning establishments, mercantile and collecting agencies, merry-go-rounds, offensive or dangerous trades, parades, pawnbrokers, second-hand dealers and keepers of junk shops, shipping and intelligence offices, shooting galleries, slot machines, tattooers, theaters, and public warehouses.

As a whole, the license fees are low—the primary object of the ordinance being the regulation and control of the various trades and occupations.

BUSINESS LICENSES AND PERMITS.

The collections from this source amounted to ₱25,085.50, as compared with ₱6,770.57 for the fiscal year ended June 30, 1906, or an increase of ₱18,315.02. Had ordinance No. 93 been enacted and put into effect about the beginning of the fiscal year 1907, as was expected, instead of April 1, 1907, the collections from business licenses and permits would have about reached the estimate made a year ago. However, it is expected that the collections for the fiscal year ending June 30, 1908, should amount to ₱32,000, or an increase of ₱7,000 over the collections for the fiscal year just ended.

Licenses and permits were issued, transferred, etc., during the year as follows:

	Issued.	Transfers.	Duplicates.	Free.	Can-celed.	Delinquents.	In force June 30, 1907.
Business licenses	1,492	115	4	10	5	24	1,466
Business permits	2,614	.....	2	1	121	14	2,498
Total	4,106	115	6	11	126	38	3,959

LIQUOR LICENSES.

Collections from the issue of liquor licenses were ₱163,176.50, as compared with ₱184,278.64 during the fiscal year 1906; a decrease of ₱21,100.14. A comparison between liquor licenses issued and transferred during the fiscal years 1906 and 1907 follows:

Class.	1906.			1907.			In-crease.	De-crease.
	Issued.	Transferred.	Total.	Issued.	Transferred.	Total.		
Bar:								
First class	92	28	120	80	14	94	.....	26
Second class	93	23	116	76	13	89	.....	27
Restaurant liquor:								
First class	38	6	44	30	8	38	.....	6
Second class	28	5	33	23	3	26	.....	7
Hotel liquor:								
First class	3	.....	3	4	.....	4	1	.....
Second class .....	.....	.....	.....	.....	.....	.....	.....	.....
Theater	5	5	10	3	.....	3	.....	7
Wholesale liquor:								
First class	29	1	30	38	2	40	10	.....
Second class	3	1	4	5	.....	5	1	.....
Third class	4	4	8	4	.....	4	.....	4
Grocery liquor	72	8	80	78	4	82	2	.....
Distiller's	6	.....	6	8	.....	8	2	.....
Druggist's	3	.....	3	4	.....	4	1	.....
Brewer's	1	.....	1	1	.....	1	.....	.....
Native wine	2,741	225	2,966	2,737	208	2,945	.....	21
Total	3,118	306	3,424	3,091	252	3,343	17	96

The following statement shows the number of each class of liquor license in force in the various districts of the city of Manila on June 30, 1907, and also the total number of each class in force on June 30, 1906:

Class.	District.													Total.	Total in force June 30, 1906.
	Tondo.	San Nicolas.	Binondo.	Santa Cruz.	Quiapo.	Sampaloc.	San Miguel.	Walled City.	Paco.	Ermita.	Malate.	Santa Ana.	Pandacan.		
Bar:															
First class		5	6	8	5	6		5	2					37	46
Second class		1		1	1	34								37	43
Restaurant liquor:															
First class		1	4	3	2	1		2	1	1				15	18
Second class		2	4	4					1					11	12
Hotel liquor:															
First class			1	1										2	2
Second class															
Theater				1										1	3
Wholesale liquor:															
First class		10	21	1				5	1					38	29
Second class		1	3											4	3
Third class			2		1			1						4	3
Grocery liquor		19	28	16	1			7	1		1			73	72
Distiller's		2		1	2		1		1			1		8	8
Brewer's							1		1					1	1
Druggist's			3	1										4	3
Native wine.		328	295	89	200	41	83	39	44	86	19	58	19	1,819	1,309
Total		330	334	161	237	53	124	41	64	93	20	59	20	1,554	1,552

As will be seen from the above statement, the total number of licensed liquor establishments in Manila on June 30, 1907, was two more than on June 30, 1906. There was an increase of 9 first-class wholesale liquor licenses; 1 each of the second and third class wholesale liquor licenses; 1 grocery liquor license; 1 druggist liquor license, and 10 native-wine licenses. A decrease is shown of 9 first-class bar and 6 second-class bar licenses.

The above does not include 10 clubs which pay municipal-club business licenses and internal-revenue taxes on the sale of liquors to their members.

PUBLIC-VEHICLE LICENSES.

There were collected on the issue of vehicle licenses ₱14,518.70, as against ₱13,621.10 during the fiscal year 1906, an increase of ₱897.60. Due no doubt to the competition of the street railway, the class of vehicles used as public rigs has greatly improved.

Vehicle licenses were issued, transferred, etc., as shown in the following table, in which also appears a comparison of the same data for the fiscal year ended June 30, 1906:

Year.	Issued.	Transferred.	Duplicates.	Cancelled.	Delinquents.	In force.	Total dispatched.	Increase in licenses dispatched.
1906	2,934	187	404				3,525	
1907	3,110	211	340	61	44	3,005	3,661	136
Total	6,044	398	744	61	44	3,005	7,186	136

DOG LICENSES.

The revenue derived from the issue of dog licenses amounted to ₱5,327.11, as compared with ₱4,826.50 for the fiscal year 1906; an increase of ₱500.61. This was due in a measure probably to lists of persons who were delinquent in the dog tax being sent to the various police precinct commanders of the city, and to the city pound officials, who were requested to impound dogs found at large without the license tag prescribed for the calendar year 1907. There

were 19 licenses for dogs issued gratis to the different consular agents, as has been customary in the past.

There were 1,338 dog licenses issued, 51 of which have been canceled, leaving 1,287 in effect on June 30, 1907.

PUBLIC ENTERTAINMENT AND PEDDLERS' LICENSES.

Under the above heading there were collected ₱8,740.50, as compared with ₱8,392.50 for the fiscal year 1906, an increase of ₱348. This increase is due to the adding of dance halls to the list of entertainments. Two forms of public entertainments subject to municipal license tax are race tracks, ₱200 per annum and ₱10 daily additional for each race meeting, and dance halls, which pay a license tax of ₱3 for each night when dances are held. From race tracks there were collected ₱570. There is only one race track in the city.

The revenue collected on peddlers' licenses amounted to ₱5,956.50. The increased rate, from ₱2 to ₱3 per quarter, became effective April 1. There were issued 1,984 licenses at ₱2 per quarter, 661 licenses at ₱3 per quarter, and 11 duplicates at 50 centavos each.

APPLICATIONS.

Written applications for municipal liquor licenses, business licenses, and permits were made and acted on as follows:

Received.....	8,269	Withdrawn.....	463
Disapproved.....	113	Licenses issued on.....	7,641
Uncalled for.....	47		

VEHICLE EQUIPMENT.

The owner of each licensed public vehicle is required to pay this office for the equipment of his rig with a disk and staff, number plate and driver's badge, and for the painting of the vehicle number on the lamps. From this source ₱1,215.80 were collected, as compared with ₱1,231.30 for the same period of 1906, being a decrease of ₱15.50. In the renewal of a license the owner is not required to purchase a new set of equipment if the old one is in good condition. Partial equipment for 180 vehicles and full equipment for 759 vehicles were sold during the year.

RECAPITULATION.

A recapitulation of collections on municipal licenses and a comparison of same with collections for the year ended June 30, 1906, follows:

Class of license.	1906.	1907.	Increase.	Decrease.	Net decrease.
Liquors.....	₱184,278.64	₱163,178.50		₱21,100.14	
Business.....	6,770.57	25,085.69	₱18,315.02		
Entertainments and peddlers.....	8,392.50	8,740.50	348.00		
Vehicles.....	13,621.10	14,518.70	897.60		
Dogs.....	4,826.50	5,327.11	500.61		
Bicycles.....	68.85			68.85	
Total.....	217,958.16	216,850.40	20,061.23	21,168.99	₱1,107.76

REGISTRATION OF LIVE STOCK.

In the last annual report comment was made regarding the small fees provided by existing law for the registration and transfer of ownership of cattle in Manila and of the impracticability of requiring proof of ownership, as is done throughout the provinces under the provisions of act No. 1147. It was then recommended that the provisions of act No. 1147 be made applicable to the city of Manila, and it is now understood that the Commission has the matter under advisement.

During the year covered by this report 2,484 animals have been registered, at a fee of ₱0.20 each, and 2,746 transfers of ownership have been recorded, at a fee of ₱0.10 each, making a total collection of ₱771.40, as against ₱785.80 for the year 1906.

RENTALS OF CITY PROPERTY.

There has been collected as rentals for the use of the various parcels of city property the sum of ₱19,950.32, as compared with ₱18,730.29 during the fiscal year 1906, or an increase of ₱1,220.03.

On June 30, 1907, the city of Manila had 129 tenants occupying its various properties, aggregating an annual rental of ₱20,894.43. However, as a large number of these tenants are only temporary, the statement as to the annual rental is no guide to what the collection should be.

SALES OF CITY LANDS.

It was anticipated by the municipal board of Manila, at the time the last annual report was made, that there would be a large number of properties sold during the year 1907, and this office was requested to include in its estimate of the collection for 1907 the sum of ₱50,000 as receipts from this source, which was done. However, there has been collected only ₱18,397.63. Twenty-four pieces of property were sold, for 14 pieces of which full payment was made; 1 piece for which payment of one-third was made and the balance deferred; 7 pieces for which payment of 25 per cent was made and the balance deferred; and 2 pieces for which payment of 10 per cent was made and the balance deferred.

WEIGHTS AND MEASURES.

Act No. 1519, enacted by the Philippine Commission on August 3, 1906, entitled "An act to provide for the inspection and sealing of weights and measures, and to regulate their use," became effective on January 1, 1907, and by its provisions repealed a city ordinance which heretofore provided a system for the testing and sealing of weights and measures within the limits of the city of Manila. The small amount shown under this heading of ₱715.40 represents the collections made under the city ordinance referred to above during the period from July 1, 1906, to December 31, 1906. Practically all of the weights and measures in the city were tested and sealed for the calendar year 1906 during the first four or five months thereof; hence the small collection for the last half of the year.

Due to unavoidable delays in securing standards and other paraphernalia, which had been ordered from the United States and foreign countries, the weights and measures law above referred to was not put into operation in Manila until March 1, 1907, from which date to June 30, 1907, 2,174 licenses were issued, covering the testing and sealing of 13,253 scales, measures, etc. The fees collected amounted to ₱5,342.60. Only ₱1,097.05 of this has been taken up in this report as city revenue, for the reason that all collections from this source are deposited as internal revenue and returned to the city quarterly, together with other internal-revenue collections due the city, by the insular auditor. The collections for the month of March only were returned up to the close of the fiscal year.

It is estimated that under the new law the city will receive about ₱8,500 per annum, which will be an increase of about ₱2,000 over the receipts under the old ordinance referred to above.

PAID-CONSERVANCY SYSTEM, WATER RENTS, BUILDING PERMITS, BOILER INSPECTION, AND VAULT CLEANING.

These charges are collected by this office upon assessment rolls and orders of payment prepared and issued by the department of engineering and public works and of sanitation and transportation, city of Manila. Over the assessment of these charges this office has no administrative control, but is charged with the enforcement of collection. Receipts from these sources during the year were as follows:

Pail system	₱48,508.26
Vault cleaning	39,199.00
Building permits	15,314.47
Water rents	221,187.98
Boiler-inspection fees	1,212.00

Of the above collections losses are shown, as compared with the fiscal year 1906, in collections on account of the pail system of ₱10,818.90, and in building

permits of ₱2,644.43, while increases are shown, as compared with the fiscal year 1906, in vault cleaning ₱507.15, water rents ₱10,449.29, and boiler inspection fees ₱142. The principal loss, as compared with 1906, was that under the heading of "pail system," and was partly due to the inter-bureau voucher system which was established during the year 1907, and by which cash collections from government bureaus for the use of pail system have been eliminated. This item alone accounts for nearly ₱5,000 of the shortage above shown.

FEES, FINES, COSTS, ETC.

Costs, fines, fees, etc., were collected or received under the provisions of section 61 of the Manila charter from the several officials charged with their collection. The amounts received from these sources were as follows:

Municipal court collections.....	₱53,331.43
Sheriff's fees.....	16,752.65
Justice of peace fines and fees.....	5,968.57
City attorney's fees.....	000.00
Pound receipts.....	4,065.14
City electrician's fees.....	5,495.75
Cementerio del Norte.....	10,996.50
Secretary of municipal board fees.....	43.50
Public health fees.....	13,764.60
Total.....	110,418.14

Of these items, the following shows an increase as compared with the collections for the fiscal year 1906: Sheriff's fees, ₱3,063.29.

The following show losses as indicated:

Municipal court collections.....	₱15,169.34
City attorney's fees.....	192.26
Justice of peace fines and fees.....	789.33
Pound receipts.....	11.86
City electrician's fees.....	2,372.95
Cementerio del Norte.....	2,428.59
Secretary of municipal board fees.....	25.50
Public health fees.....	1,283.40
Total decreases.....	22,273.23
Net decrease.....	19,209.94

TRANSPORTATION OF MEAT.

Receipts under this head are for services rendered by the department of sanitation and transportation for delivering meat from the slaughterhouse to the various markets in the city, and is in accordance with a resolution passed by the municipal board in February, 1906, by which the city delivers this meat at the rate of ₱0.07 per quarter. There has been collected the sum of ₱3,995.16, as compared with ₱3,370.74 during the fiscal year 1906; however, this system was only started in February, 1906. While the administration of this system is with this office, the city department of sanitation and transportation defrays all of the expenses incident to the delivery of the meat.

MISCELLANEOUS COLLECTIONS.

Date.	From whom collected.	Amount.
1906.		
July 12	Manila Telephone Co., 7 per cent gross earnings for quarter ending June 30, 1906.....	P838.20
July 13	Beck miniature railroad, 5 per cent gross earnings for period July 5 to 13, 1906.....	5.75
July 23	Beck miniature railroad, 5 per cent gross earnings, July 14 to 22, 1906.....	3.06
Aug. 6	Beck miniature railroad, 5 per cent gross earnings, July 23 to Aug. 5, 1906.....	3.40
Aug. 24	Beck miniature railroad, 5 per cent gross earnings, Aug. 6 to 23, 1906.....	2.20
Nov. 2	Manila Telephone Co., 7 per cent gross earnings, quarter ending Sept. 30, 1906.....	250.00
1907.		
Jan. 24	Banco Español-Filipino, dividends on city stock.....	2,256.00
Feb. 19	Philippine Islands Telegraph and Telephone Co., rent of city poles.....	921.50
Mar. 12	J. E. Harding, chief, money found by police department.....	25.68
Mar. 18	J. E. Harding, chief, sale of confiscated and stolen property.....	116.96
<i>Department of sanitation and transportation.</i>		
Jan. 14	Rosario Vizcarra, 1,000 empty sacks, at 7 centavos.....	70.00
Jan. 26	Rosario Vizcarra, 2,000 empty sacks, at 7 centavos.....	140.00
Feb. 20	J. C. Mehan, chief, sale of property.....	45.35
Mar. 7	Pedro Ocampo, 500 empty sacks, at 10 centavos.....	50.00
Mar. 22	Rosario Vizcarra, 500 empty sacks, at 10 centavos.....	50.00
Apr. 8	Benedicto Gonzalez, 500 empty sacks, at 10 centavos.....	50.00
Apr. 17	.....do.....	50.00
Apr. 17	Rosario Vizcarra, 1,000 empty sacks, at 10 centavos.....	100.00
May 29	Benedicto Gonzalez, 500 empty sacks, at 10 centavos.....	50.00
June 6	Rosario Vizcarra, 300 empty sacks, at 10 centavos.....	30.00
June 13	Rosario Vizcarra, 200 empty sacks, at 10 centavos.....	20.00
June 22	Rosario Vizcarra, 500 empty sacks, at 10 centavos.....	50.00
Total.....		5,128.10

INTERNAL-REVENUE DIVIDENDS.

These sources of revenue to the city of Manila now comprise:

- (1) The entire collections from the sale of cedula in the city.
- (2) The entire receipts for internal-revenue licenses issued for the maintenance in Manila of theaters, museums, concert halls, pawnbrokers, circuses, and billiard rooms.
- (3) Manila's share in proportion to its population of the 25 per cent of the revenue apportioned under the provisions of the internal-revenue law for use of provincial and municipal governments.
- (4) The entire receipts from the sale of certificates to habitual users of opium in Manila.
- (5) The entire receipts collected as fees for the testing and sealing of weights and measures in Manila.

The last two items did not constitute part of the dividends received during the fiscal year 1906. The opium law (act No. 1461) became effective April 1, 1906, but as these dividends are only paid quarterly by the insular auditor nothing was received as receipts from the sale of opium certificates until after the expiration of the fiscal year 1906. The weights and measures law did not become effective until January 1, 1907; and owing to the fact that the metric standards, sealers, and other paraphernalia were not secured in time, the enforcement of the law only began in Manila in March, 1907.

The internal-revenue dividend is unusually large this year, owing to the fact that five quarterly payments have been made by the auditor, one payment due for 1906 being delayed and not received until after the close of that fiscal year.

The following is an itemized statement of the revenue from this source during the fiscal year 1907:

Manila's share of the 25 per cent of the revenues accruing to the provincial and municipal governments according to population.....	P61,838.01
Cedulas	113,578.00
License taxes enumerated above.....	10,437.50
Opium certificates.....	26,485.00
Weights and measures.....	1,097.05
Total.....	213,435.56

Which, compared with ₱74,876.93 for the fiscal year 1906, shows an increase of ₱138,558.63.

MANILA ELECTRIC RAILROAD AND LIGHT COMPANY FRANCHISE TAX.

By the provisions of its charter the Manila Electric Railroad and Light Company pays to the city of Manila 2½ per cent of its gross earnings from fares collected, tickets sold, and electric light and power sold. In consideration of the payment of this franchise tax the company is exempted from the payment of all other taxes except the real-estate tax. The sum of ₱40,861.54 was collected from this company as compared with ₱28,662.85 during the fiscal year 1906.

TOTAL COLLECTIONS.

As will be seen by the statement below, the total collections of city taxes, fees, charges, etc., amounted to ₱2,668,033.10, as compared with ₱2,465,780.40 for the fiscal year 1906, an increase of ₱202,252.70.

Source of revenue.	Receipts, fiscal year—		Per cent of total.	Estimated receipts for fiscal year 1908.
	1906.	1907.		
Municipal revenues:				
Real-estate tax.....	₱1,208,265.31	₱1,302,855.00	48.830	₱1,250,000.00
Matadero fees.....	160,049.25	164,962.53	6.180	170,000.00
Market fees.....	269,430.88	238,054.41	8.920	280,000.00
Municipal licenses.....	217,958.16	216,850.40	8.124	230,000.00
Live stock registered and transferred.....	785.80	771.40	.027	800.00
Vehicle equipment.....	1,231.30	1,215.80	.044	1,200.00
Rents, city property.....	18,730.29	19,950.32	.745	20,000.00
Municipal court fines and fees.....	68,500.77	53,331.43	1.966	60,000.00
Weights and measures.....	6,410.40	715.40	.025	-----
Miscellaneous burial funds (bureau of health).....	4,985.60	4,012.00	.150	4,000.00
Justice of peace fees.....	6,757.90	5,968.57	.226	6,000.00
Sheriff's fees.....	13,689.36	16,752.65	.625	15,000.00
Sales of city land.....	2,644.30	18,397.63	.687	25,000.00
City attorney's fees.....	192.26	-----	-----	200.00
City electrician's fees.....	7,868.70	5,495.75	.257	5,000.00
Pound fees.....	4,077.00	4,065.14	.150	5,000.00
Franchise tax (Manila Electric Railroad and Light Co.).....	28,662.85	40,861.54	1.530	45,000.00
Secretary municipal board fees.....	69.00	43.50	.002	50.00
Internal-revenue dividend.....	74,876.93	* 213,435.56	7.997	140,000.00
Miscellaneous.....	13,811.70	4,422.75	.163	5,000.00
Industrial tax.....	1,191.81	-----	-----	-----
Certificates of registration.....	846.00	-----	-----	-----
Repayments to appropriation of department of sanitation and transportation:				
Pail system.....	59,327.16	48,508.26	1.816	50,000.00
Vault cleaning.....	38,691.85	39,199.00	1.467	35,000.00
Transportation of meat.....	3,470.74	8,995.16	.335	9,000.00
Cementerio del Norte.....	13,425.09	10,998.50	.411	10,000.00
Rent of niches (bureau of health).....	10,112.40	9,752.60	.364	10,000.00
Miscellaneous.....	-----	705.35	.025	2,000.00
Repayments to appropriation of department of engineering and public works:				
Building permits.....	17,958.90	15,314.47	.571	15,000.00
Water rents.....	210,738.69	221,187.98	8.280	225,000.00
Boiler-inspection fees.....	1,070.00	1,212.00	.044	1,200.00
Total.....	2,465,780.40	2,668,033.10	100	2,619,450.00
RÉSUMÉ.				
Municipal revenue.....	2,110,985.57	2,312,101.73	86.678	2,262,250.00
Department of sanitation and transportation.....	125,027.24	118,156.87	4.418	116,000.00
Department of engineering and public works.....	229,767.59	237,714.45	8.904	241,200.00
Total.....	2,465,780.40	2,668,033.10	100	2,619,450.00

* ₱77,778.80 withheld by insular auditor for payment of accounts due insular government is included in this amount.

EXPENSES.

The actual net expenses to the city of Manila for the collection of its taxes and other revenues enumerated in this report were as follows:

Salaries and wages.....	₱ 82,000
Contingent expenses.....	18,000
Total.....	100,000

which represents a fraction over 3.7 per cent of the total collections, as compared with 4.2 per cent for 1906, 4.5 per cent for 1905, 4.4 per cent for 1904, and 5.9 per cent for 1903.

TAX REFUNDS.

The following is a statement of refunds of municipal taxes that have been made during the period covered by this report:

Water charges, five refunds on account of erroneous meter readings, etc. (resolution of municipal board).....	₱ 123.34
Real-estate tax, seven refunds on account of erroneous assessments and court decisions making certain exemptions or refunds of taxes and penalties imposed (resolution of municipal board).....	1,306.01
Industrial tax, one refund to an insurance company, representing the amount of tax paid for last four months of calendar year 1904 (act No. 1338, Philippine Commission).....	47.87
Building permits, one refund made on account of failure on the part of the person paying for same to use permit, due to no fault of his (resolution of municipal board).....	24.60
Municipal licenses, 13 refunds made on account of the repeal of the law on January 1, 1905, under which the licenses were issued; refunds represent value of unexpired licenses on that date (resolution of municipal board).....	2,066.00
Total refunds.....	3,567.82

PART 3.

MISCELLANEOUS.

OPIUM TAXES.^a

This law is entitled "An act for the purpose of restricting the sale and suppressing the evil resulting from the sale and use of opium until March 1, 1908, when its importation or use for any but medicinal purposes is forbidden by act of Congress." It was enacted by the Philippine Commission, after public discussion, on March 8, 1906, and was made effective April 1, 1906. The bureau was charged with its enforcement and with the collection of the license and other taxes imposed by its provisions through the various agencies charged with the collection of the internal-revenue taxes imposed in act No. 1189.

HABITUAL USERS' CERTIFICATES.

During the fiscal year 1907 there were issued 7,484 habitual users' certificates at ₱5 each, making a total collection from this source of ₱37,420. During the first three months' operation of the law, April 1 to June 30, 1906, there were issued 4,845 opium users' certificates, making a total of 12,329 opium users registered during the fifteen months ended June 30, 1907.

LICENSE TAXES.

There were collected from wholesale and retail dealers as license taxes ₱94,241.39. The enforcement of the law has resulted in a reduction in the number of places where opium may be purchased.

^a Collected under authority of act No. 1461, Philippine Commission.

TAX ON OPIUM.

The taxes collected on opium imported amounted to ₱192,554.60, and on prepared opium to ₱259,166.66.

RESUME OF COLLECTIONS.

The amount of taxes collected during the year was distributed as follows:

Habitual users' certificates.....	₱37,420.00
Wholesale dealers' licenses.....	46,041.11
Retail dealers' licenses.....	48,200.28
Taxes on opium imported during fiscal year 1907.....	192,554.60
Taxes on opium prepared during fiscal year 1907.....	259,166.66
Fees for printed forms, etc.....	6,239.12
Total.....	589,621.77

When the opium law went into effect on April 1, 1906, opium was found in possession of dealers as follows: Crude, 5,997 kilograms; prepared, 2,529 kilograms; alkaloids, 4 kilograms; total, 8,530 kilograms. During the fifteen months ended June 30, 1907, opium was imported as follows: Crude, 83,383 kilograms; prepared, 438 kilograms; alkaloids, 178 kilograms; total, 83,999 kilograms. During the same period opium was sold to consumers as follows: Prepared, 47,257 kilograms; alkaloids, 280 kilograms; total, 47,537 kilograms. The imported crude opium lost in weight, in preparing it for the smokers' use, slightly over 40 per cent.

SAN LAZARO ESTATE RENTALS.

The following summary of work accomplished in the collection of rentals from the tenants of the San Lazaro estate is submitted:

Number of tenants July 1, 1906.....	2,340
Number dropped from rent roll during the year.....	36
Number added to rent roll during the year.....	38
Number of tenants June 30, 1907.....	2,342
Amount collected.....	₱53,467.37
Number of tenants delinquent June 30, 1907.....	496
Amount delinquent June 30, 1907.....	₱10,503.43

WEIGHTS AND MEASURES.

This bureau is charged by the provisions of the weights and measures law (act No. 1519) with the testing and sealing of all instruments used in weighing and measuring in the islands.

The law was enacted by the Philippine Commission August 3, 1906, and became effective January 1, 1907, but owing to unavoidable delays encountered by the bureau of science in securing standards for use in testing, and by this bureau in securing the necessary seals and other paraphernalia for marking and sealing the weights and measures in use, the law was not put into operation on the date it became effective. In fact, with the exception of the city of Manila and municipality of Santa Cruz, Province of La Laguna, the law has not as yet been put into effect. Operations were begun in the two places mentioned in March last, primarily for the experience that could thus be gained, prior to drawing up regulations for the enforcement of the law.

The regulations have now been prepared and approved by the secretary of finance and justice and the secretary of the interior, and are in the hands of the printer. There has not yet been received, however, the necessary number of sets of standards to supply all provinces.

During the period of nearly four months of the fiscal year 1907 in which the law was enforced in Manila and Santa Cruz 2,427 licenses were issued covering the testing and sealing of 14,263 weights and measures. The fees collected amounted to ₱5,746.15. Each license covers all weights and measures owned and used by one dealer. From which it may be seen that the average number of weights and measures used by each dealer is a fraction less than six.

The average fee for testing and sealing is about 40 centavos for each weight and measure, and the average amount of fees paid by each merchant or dealer is ₱2.37 per year.

PURE FOOD AND DRUGS ACT.

The above entitled act (No. 1655) was enacted by the Philippine Commission on May 18, 1907, and contains practically the same provisions as the act of the Congress of the United States approved June 30, 1906.

Rules and regulations for the carrying out of the provisions of the act have been prepared by the collector of customs, the director of health, and the collector of internal revenue, and have been approved by the secretary of the interior. The bureaus of customs, health, and internal revenue are charged with the enforcement of the law and regulations.

The field force of 65 internal-revenue agents scattered throughout the islands will undoubtedly do valuable work in the enforcement of this law.

The necessary forms for the use of the agents in making reports, receipting for samples, etc., have been prepared and are now in the hands of the director of printing.

Respectfully submitted.

JOHN S. HORD,
*Collector of Internal Revenue,
Ex-Officio Assessor and Collector for the City of Manila.*

The SECRETARY OF FINANCE AND JUSTICE,
Manila, P. I.

APPENDIX A.

Statement of reported collections under act No. 1189 during the month of July, 1906 and 1907.

Item.	1907.	1906.
ALCOHOL AND TOBACCO PRODUCTS.		
Distilled spirits.....	P154,417.12	P118,885.49
Fermented liquors.....	12,080.00	8,850.00
Manufactured tobacco.....	8,112.07	7,715.97
Cigars.....	16,207.14	14,586.44
Cigarettes.....	204,734.14	192,844.64
Matches:		
Domestic.....	12,400.00	13,300.00
Imported.....	6,831.78	8,360.84
Total.....	415,732.25	364,543.38
LICENSES, DEALERS IN ALCOHOL AND TOBACCO PRODUCTS.		
Distillers.....	1,460.00	1,798.00
Rectifiers.....	1,150.00	1,740.00
Retail dealers in liquors.....	5,172.00	5,309.17
Retail "vino" dealers.....	14,288.00	11,508.80
Wholesale liquor dealers.....	8,630.00	8,980.00
Retail dealers in fermented liquors.....	4,230.00	4,350.00
Wholesale dealers in fermented liquors.....	1,035.00	1,395.00
Dealers in manufactured tobacco.....	21,825.88	18,291.67
Manufacturers of tobacco.....	450.00	305.00
Manufacturers of cigars and cigarettes.....	772.00	806.00
Peddlers of taxable articles.....	1,582.00	924.00
Total.....	60,625.88	55,357.64
BUSINESS LICENSES.		
Merchants.....	189,484.22	175,351.89
Manufacturers.....	18,706.01	15,145.98
Common carriers.....	8,093.98	1,627.60
Total.....	216,284.21	192,125.47
OCCUPATION LICENSES.		
Stock brokers.....	620.00	460.00
Real-estate brokers.....	2,580.00	2,440.00
Custom-house brokers.....	380.00	500.00
Pawnbrokers.....	850.00	800.00
Proprietors of theaters.....	22,512.75	19,604.30
Proprietors of circuses.....		
Proprietors of billiard rooms.....	1,450.00	1,164.18
Lawyers, etc.....	7,547.50	7,334.00
Photographers, etc.....	565.00	565.00
Veterinarians, etc.....	995.00	765.00
Owners of race tracks.....	120.00	810.00
Total.....	37,890.25	34,572.38
OCCUPATION LICENSES.		
Mines and mining concessions.....	34.27	20.29
Banks and bankers.....	62,127.77	60,885.40
Insurance companies.....	32.53	323.98
Forest products.....	18,404.63	695.26
Documentary stamps.....	15,785.84	13,365.64
Cedulas.....	58,126.00	64,329.00
Miscellaneous.....	298.88	79.68
Total.....	149,749.42	139,669.25
Grand total.....	890,271.96	786,266.07

APPENDIX B.

Statement of city of Manila taxes collected during the month of July, 1906 and 1907.

Item.	1907.	1906.
Real-estate tax:		
1902.....	P2.68	P3.02
1908.....	14.23	562.52
1904.....	32.20	1,754.05
1906.....	91.69	3,866.67
1906.....	3,302.16	11,185.51
1907.....	10,210.21	
Total.....	13,653.17	17,371.77
Matadero receipts.....	15,733.02	14,259.87
Market receipts.....	24,478.00	20,906.01
Liquor licenses.....	14,544.50	14,572.50
Business licenses.....	1,905.27	565.59
Entertainment licenses.....	641.50	90.00
Peddlers' licenses.....	1,854.59	1,170.50
Vehicle licenses.....	1,783.50	1,592.00
Dog licenses.....	194.31	121.90
Total.....	20,923.58	18,112.49
Live-stock registration.....	48.60	41.20
Live-stock transfers.....	26.80	12.00
Total.....	75.40	53.20
Vehicle equipment.....	166.30	127.00
Rents, city property.....	1,242.38	1,287.31
Municipal court fines and fees.....	4,263.59	4,521.23
Pail system.....	9,120.47	4,870.42
Vault cleaning.....	2,289.00	12,940.00
Weights and measures.....		243.10
Building permits.....	1,378.04	1,301.34
Boiler inspections.....	90.00	238.00
Water rents.....	52,605.52	54,070.74
Bureau of health fees.....	1,083.40	1,532.30
Justice of peace fees.....		454.30
Sheriff's fees.....		1,177.87
City electrician's fees.....	465.60	464.40
Pound receipts.....	406.49	319.30
Miscellaneous.....	630.68	847.01
Percentage tax, Manila Electric Railroad and Light Co.....	3,638.30	3,114.85
Sales of city land.....	17,022.24	423.14
Secretary of municipal board fees.....		19.50
Cementerio del Norte.....	506.00	1,452.50
Transportation of meat.....	878.36	761.04
Internal-revenue dividend.....	41,644.41	
Grand total.....	212,373.95	160,838.69

APPENDIX C.

Various collections made during the month of July, 1906 and 1907.

Item.	1907.	1906.
Opium law (act No. 1461, Philippine Commission):		
Registration certificates.....	₱355.00	₱8,760.00
Wholesale dealers' licenses.....	7,500.12	6,750.60
Retail dealers' licenses.....	6,402.53	6,301.56
Importers of opium.....	14,331.78	5,967.49
Preparers and dealers.....	17,945.62	10,751.01
Wholesale dealers.....	271.23	47.96
Retail dealers.....	132.44	174.43
Total.....	46,968.72	38,753.05
San Lazaro estate (executive order No. 15, March 12, 1906):		
Rentals.....	5,961.42	4,303.00
Weights and measures law (act No. 1319, Philippine Commission):		
License taxes.....	1,267.90	
RESUME.		
Internal-revenue taxes.....	880,271.96	786,268.07
Municipal taxes, city of Manila.....	212,373.95	160,868.69
Opium taxes.....	46,968.72	38,753.06
San Lazaro estate rentals.....	5,961.42	4,303.00
Weights and measures licenses.....	1,267.90	
Grand total.....	1,146,833.95	990,192.81

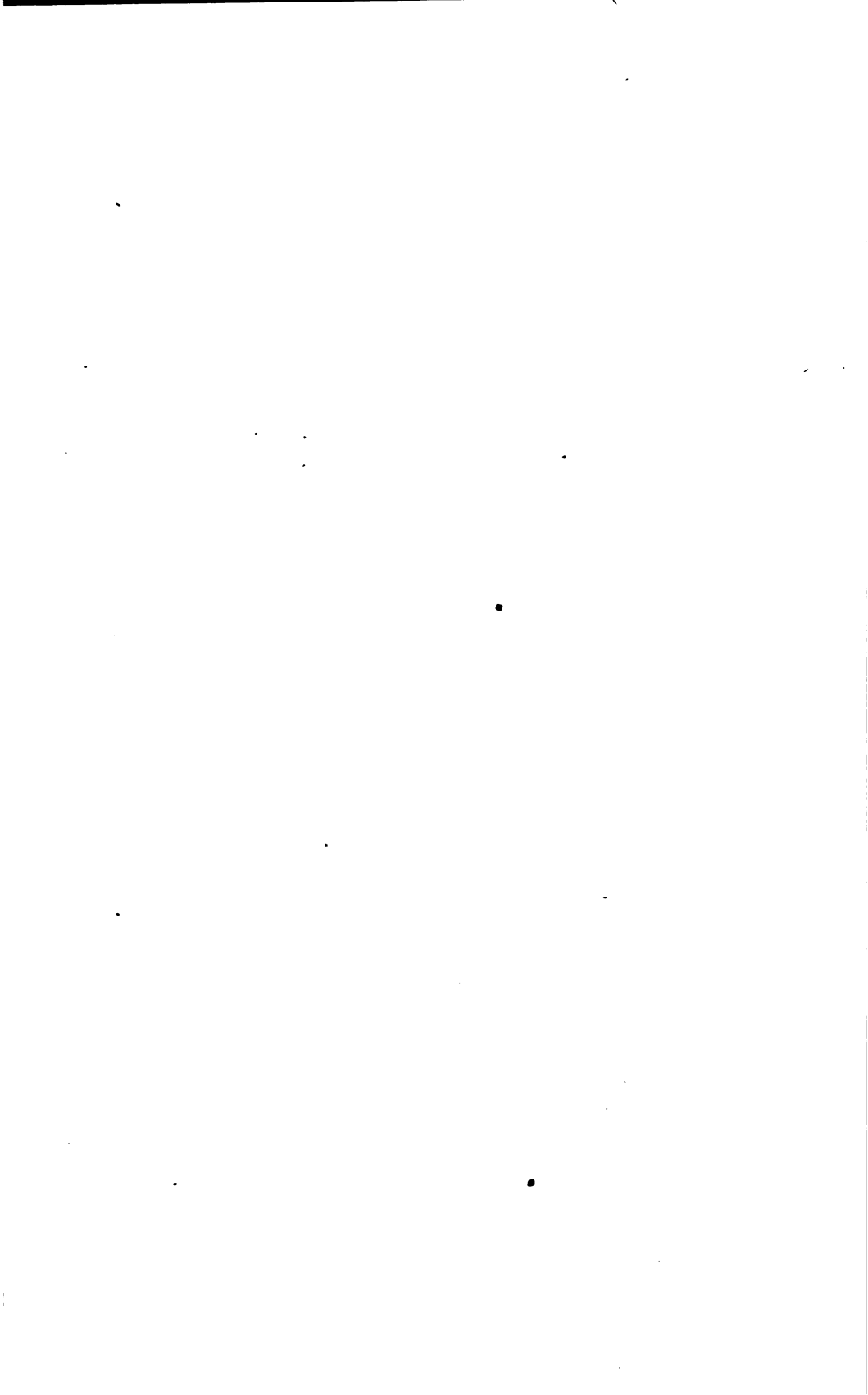
Increase for the month of July, 1907, over the month of July, 1906, ₱156,641.14.

APPENDIX D.

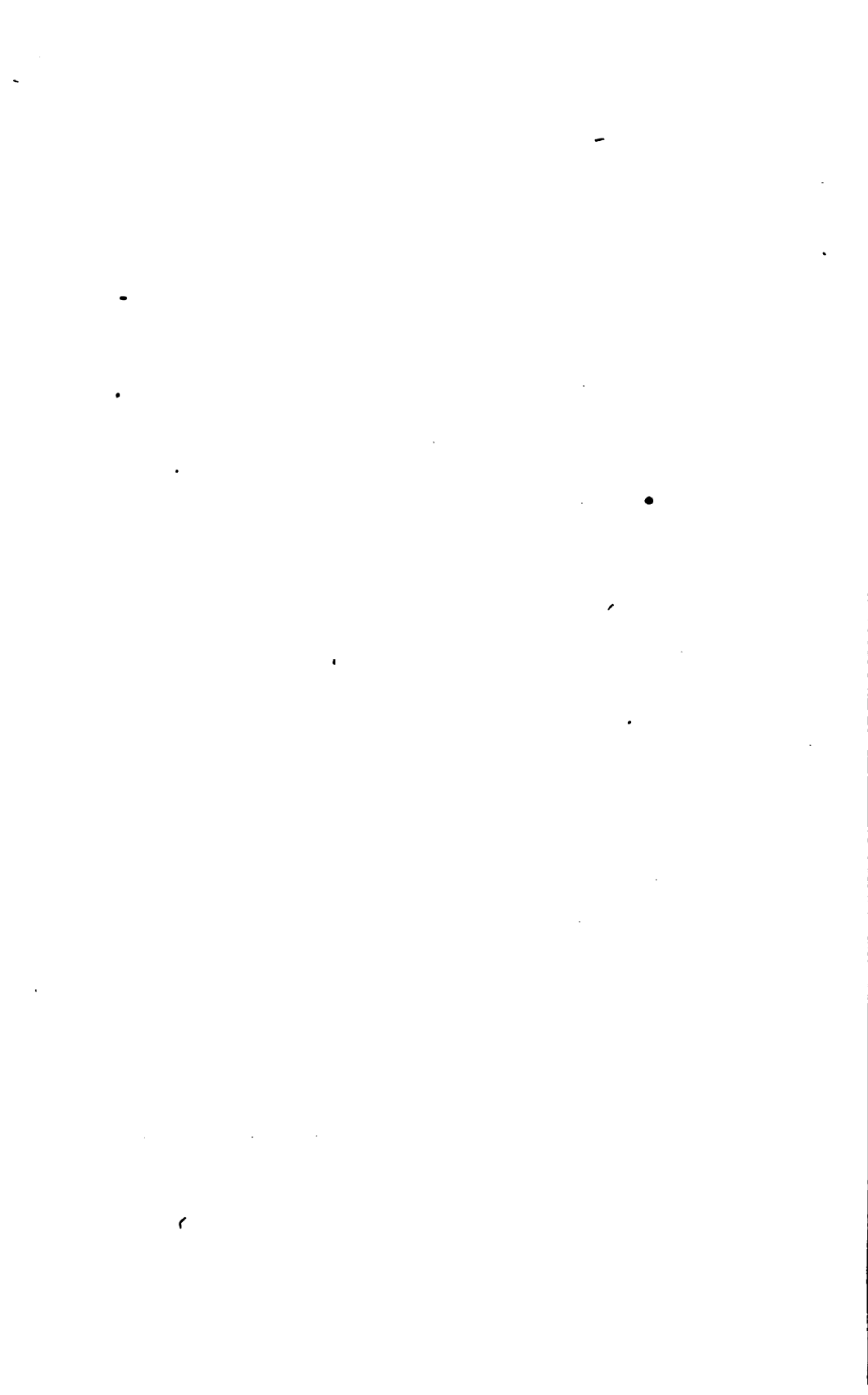
Recapitulation of taxes collected by the collector of internal revenue for the Philippine Islands during the fiscal year 1907.

Provinces.	Internal-rev- enue law of 1904, act No. 1189.	Opium law, act 1461.	Weights and meas- ures, act 1519.	Collections made for city of Manila.	Grand total.
Albay.....	P208,634.92	P3,567.81			P207,202.73
Ambos Camarines.....	167,060.74	6,281.89			173,362.63
Antique.....	31,937.43	414.42			32,351.85
Bataan.....	34,663.70	5.00			34,668.70
Batangas.....	94,942.79	383.71			95,326.50
Benguet.....	7,272.09	25.00			7,297.09
Bohol.....	71,790.81	225.00			72,015.81
Bulacan.....	419,447.96	120.00			419,567.96
Cagayan.....	133,469.24	9,458.20			142,927.44
Capiz.....	80,335.41	838.80			81,174.21
Oavite.....	67,577.61	1,907.94			69,485.55
Cebu.....	331,657.84	79,383.81			411,041.65
Ilocos Norte.....	54,390.66	780.58			55,121.24
Ilocos Sur.....	123,598.24	1,507.91			125,101.15
Iloilo.....	290,907.86	39,787.31			320,695.17
Isabela.....	47,143.05	2,312.97			49,456.02
Laguna.....	113,648.78	660.67	P403.55		114,708.00
La Union.....	51,841.15	445.58			52,286.67
Lepanto-Bontoc.....	13,643.13	10.00			13,653.13
Leyte.....	299,234.34	9,257.53			308,491.87
Manila.....	4,964,499.27	356,761.93	5,342.60	P2,668,033.10	8,014,636.90
Maabate.....	19,510.12	55.00			19,565.12
Mindoro.....	17,214.66	45.00			17,259.66
Misamis.....	82,802.69	2,983.05			85,735.74
Moro.....	120,689.14	41,879.67			162,568.81
Negros Ocidental.....	123,520.86	1,748.24			125,269.10
Negros Oriental.....	70,206.42	6,121.26			76,327.68
Nueva Ecija.....	51,155.05	145.00			51,300.05
Nueva Vizcaya.....	7,765.86				7,765.86
Palawan.....	10,554.13	60.00			10,614.13
Pampanga.....	272,761.41	2,776.89			275,538.30
Pangasinan.....	298,275.34	6,975.52			305,250.86
Rizal.....	96,907.18	208.14			97,010.32
Romblon.....	25,919.72	946.63			26,866.35
Samar.....	189,885.94	3,771.57			193,657.51
Sorsogon.....	106,116.82	3,134.79			109,251.61
Surigao.....	70,494.82	1,566.45			72,060.27
Tarlac.....	91,068.09	151.23			91,219.32
Tayabas.....	139,020.47	903.27			139,923.74
Zambales.....	26,649.78	2,060.06			28,709.84
Total.....	9,432,066.52	589,621.77	5,746.15	2,668,033.10	12,695,496.54

A number of tables showing in detail the following information have been omitted and are on file in the Bureau of Insular Affairs, War Department.
 Receipts from each specific source of internal revenue.
 Monthly receipts from each specific source, by provinces.
 Miscellaneous forestry collections.
 Miscellaneous collections, city of Manila.



**REPORT OF THE SECRETARY OF PUBLIC
INSTRUCTION.**



REPORT OF THE SECRETARY OF PUBLIC INSTRUCTION.

DEPARTMENT OF PUBLIC INSTRUCTION,
Manila, November 1, 1907.

GENTLEMEN: The secretary of public instruction has the honor to submit to the Philippine Commission his sixth annual report, detailing the work accomplished during the year ended June 30, 1907 (unless otherwise stated herein), by the bureaus under the executive control of the department of public instruction.

The undersigned assumed charge of the department on September 28, 1906, relieving the honorable the secretary of commerce and police, who, as acting secretary of public instruction, had been temporarily in charge thereof.

The department is now composed of the bureau of education, bureau of supply, bureau of prisons, bureau of printing, and the Philippine medical school.

During the past fiscal year the bureau of cold storage, familiarly known as the "government ice plant," was merged with the bureau of supply, becoming the division of cold storage of said bureau. This change was made by act No. 1609 of the commission, passed March 14, 1907, on the recommendation of this office. The object of the change was to effect economies in the administration and operating expenses of the two bureaus by combining them under one head. The combination has already effected substantial savings in the former cost of administration and it is believed that in future it will be possible to make still further economies.

During the past fiscal year the organization of the Philippine medical school established by act No. 1415, passed December 1, 1905, has been effected and the school is now in successful operation. A more detailed statement on this institution will be found later on in this report.

With the above exceptions the department of public instruction is constituted as it was at the beginning of the last fiscal year.

BUREAU OF EDUCATION

No radical changes have been made during the last fiscal year in the general legislation controlling the public educational work in these islands. The division of ethnology, formerly of the bureau of education, was transferred by act No. 1541, passed October 6, 1906, to the bureau of science under the department of the interior.

Act No. 1539, passed October 5, 1906, authorizes the director of education, with the approval of the secretary of public instruction, to change, increase, or decrease the existing school divisions whenever, in his judgment, the public interests so require. The purpose

of this act is to give a more flexible system of administration of the public educational work throughout the islands and to enable the department to meet promptly changed conditions and rapid advances and extensions of school work in certain provinces and districts.

One of the most important changes in connection with public educational work was effected by act No. 1545, passed October 20, 1906, which relieved the division superintendents of schools as members of the provincial boards throughout the islands. The purpose of this change was twofold—first, to relieve the division superintendents of a large amount of work not strictly connected with public instruction, thus enabling them to devote their entire time to their educational duties; and, secondly, to take them out of the local provincial governments and thus free them of any direct connection with the more or less political questions in which they were formerly obliged to participate by virtue of their positions as members of the provincial boards. It has been the constant aim of this department to keep the school work entirely free from local politics or from factional questions of any nature and to make the school officials and employees the friends and assistants of all the people, irrespective of their religious or political affiliations.

On May 18, 1907, the Commission, by resolution, established 10 free scholarships in the preparatory nurses' training course given in the Philippine normal school at Manila. The scholarships cost ₱240 per annum each and have been awarded to 10 young Filipino women who have graduated from the intermediate course and qualified in the examination prescribed by this department. In order to secure the widest distribution of these scholarships not more than one was awarded in any one province. Pursuant to this plan, one assignment was made from each of the following provinces: Albay, Ambos Camarines, Batangas, Capiz, Cebu, Ilocos Sur, Leyte, Manila, Nueva Ecija, and Zambales.

PROVINCIAL SCHOOL FUNDS.

One of the principal objects sought by this department during the past fiscal year has been to place the educational work upon as firm a financial basis as the circumstances of the central and local governments of the islands would permit. Pursuant to this plan the undersigned presented to the Commission several bills which were enacted into laws, transferring the indebtedness of a number of provinces in favor of the school funds thereof. Thus, by acts Nos. 1560, 1601, 1603, and 1622 the following special provincial school funds were established:

Province of Bataan.....	₱6,000.00
Province of Batangas.....	51,664.47
Province of Capiz.....	55,000.00
Province of Cebu.....	42,500.00
Province of Iloilo.....	50,000.00
Province of La Union.....	50,000.00
Province of Nueva Ecija.....	20,000.00
Total.....	301,164.47

In addition to the above, the province of Sorsogon received by act No. 1554, passed October 30, 1906, a loan of ₱20,000 for the completion of its provincial high school.

All the amounts above mentioned will be expended within the provinces named during the next few years for the construction, repair, and equipment of industrial, agricultural, and secondary schools.

INSULAR APPROPRIATION FOR SCHOOL BUILDINGS.

By act No. 1580, passed December 22, 1906, an appropriation of ₱300,000 was made, to be allotted and expended under the direction of the secretary of public instruction, for the construction of school buildings throughout the provinces, including ₱50,000 to be expended in the city of Manila in the construction of a model school building for which the city government is required to contribute an additional ₱50,000 and the necessary land for the site. Pursuant thereto the city of Manila has appropriated ₱50,000 and has furnished a site in the Tondo district at a cost of ₱12,000 additional, on which will be constructed a modern, reinforced cement school building of the most approved type, capable of holding 500 pupils. This school, it is believed, will represent the type of building of which a number should be erected in the city of Manila and, eventually, at least one in the capital of every province in the islands. The building will be so planned as to afford most ample facilities for ventilation and light, as well as an arrangement of rooms calculated to give the maximum degree of efficiency to the teaching force employed.

Up to the date of the writing of this report allotments for school construction work in the different provinces in the islands have been made by this office from the above-mentioned appropriation, as follows:

Province of Bantangas.....	₱8,000.00
Province of Bulacan.....	10,000.00
Province of Cagayan.....	12,000.00
Province of Cavite.....	10,000.00
Province of Cebu.....	20,000.00
Province of Ilocos Norte.....	17,000.00
Province of La Laguna.....	6,000.00
Province of Leyte.....	5,000.00
Province of Manila.....	50,000.00
Province of Mindoro.....	12,500.00
Province of Misamis.....	18,000.00
Province of Nueva Ecija.....	1,000.00
Province of Nueva Vizcaya.....	5,000.00
Province of Pampanga.....	16,000.00
Province of Pangasinan.....	31,000.00
Province of Rizal.....	16,000.00
Province of Samar.....	8,000.00
Province of Surigao.....	5,000.00
Province of Tarlac.....	12,000.00
Province of Tayabas.....	15,000.00
Province of Union.....	6,000.00
Insular agricultural school, location undecided.....	10,000.00
Total.....	293,500.00

This leaves a balance on hand still to be allotted of ₱6,500. These allotments were made to the several provinces above mentioned on condition that said provinces should furnish certain sums of money, obtained either from the revenues of the provinces and the municipal governments or from voluntary contributions of the people, or both, in addition to furnishing in every instance suitable sites for the construction of the school buildings. The money to be furnished by

the provinces for this purpose, pursuant to the allotments above mentioned, amounts to ₱217,500.

Classifying the amounts allotted as aforesaid according to the kinds of school buildings to be constructed therewith, it is found that there has been provided for the construction of—

Provincial high school buildings.....	₱67,000.00
For schools of arts and trades.....	83,500.00
For intermediate schools.....	102,000.00
For agricultural schools.....	11,000.00
For dormitories.....	5,000.00
For domestic science buildings.....	3,000.00
For a school of pottery.....	6,000.00
For a school of fisheries.....	16,000.00
Total allotted to date.....	293,500.00

SCHOOL DIVISIONS.

Public educational work in the islands is now performed under the bureau of education, with a central office located in Manila, having 37 divisions, each in charge of a division superintendent, embracing in all 379 school districts, each in charge of a supervising teacher. The total number of schools in operation during the past school year was as follows:

Kind of school.	School year 1906-7.	School year 1905-6. ^a	In- crease.
Primary schools.....	3,435	3,108	327
Intermediate schools.....	162	92	70
Arts and trades.....	32	17	15
Agricultural.....	5	2	3
Domestic science.....	17	8	9
Provincial high schools.....	36	36	.....
Total.....	3,667	3,263	424

^a Data compiled in March, 1906.

For the purposes of the above classification each municipal school giving instruction to pupils *both* of intermediate and of primary grades is credited to the number both of primary and of intermediate schools.

Provinces in which there are special instructors in agriculture who give their entire time to this branch are credited with one agricultural school for each of such instructors. The same basis of classification with respect to domestic science schools has been used. In some cases the domestic science, the agricultural, and the arts and trades departments are divisions of the provincial school, but in the above classification, for the sake of clearness, they have been listed separately.

SCHOOL CONSTRUCTION WORK.

On June 30, 1907, there were either contemplated or in course of construction, in addition to the above, the following school buildings throughout the islands:

Primary schools.....	25
Intermediate schools.....	3
Arts and trades schools.....	5
Provincial high schools.....	7
Total.....	40

In the past, owing to the absolute necessity of providing accommodations of some kind for the school children, and to the lack of sufficient funds, a number of school buildings have been constructed of medium or poor grade woods. While this method affords greater immediate relief to the situation, in the end it is believed to be costly, and this department has for the past year absolutely refused to approve any school construction work, for which any funds under the department's control were to be used, unless the plans called for a permanent style of building, preferably of reinforced cement, but at all events of that type, or built of first-class hard woods, or of a combination of the two. The only exceptions to this rule have been a few model domestic science and similar buildings, of very slight cost, where bamboo and nipa could be economically employed.

While this policy somewhat decreases the amount of new school construction, it is believed that the time has now come when no other course could be properly pursued.

INSULAR TRADE SCHOOL.

During the past year the insular school of arts and trades at Manila has been moved to much better quarters in Calle Arroceros, and now occupies a portion of the buildings and property formerly used for the construction and repair shops of the city government. New machinery has been installed and the equipment has been generally improved and increased. Instruction is now given to some 350 pupils in this school in the following branches: English, arithmetic, geography, mechanical drawing, wood working (bench work, carving, turning, and cabinetmaking), iron working (bench work, filing, blacksmithing, and iron machine work), and finishing, including painting and varnishing.

It is the intention of the undersigned to establish 2 new departments in this school, to embrace instruction in boat building and in wheelwrighting. At the present time there are on the waiting list some two hundred pupils who seek admission, but for whom no accommodations are available. It is vitally necessary that additional accommodations should be furnished immediately to meet the increasing attendance of this school, and every effort must be made by this department along these eminently practical lines.

INSULAR AGRICULTURAL SCHOOL.

Plans have now been adopted for the establishment of a large insular agricultural school in the vicinity of Manila for the purpose of giving instruction in practical agriculture. The buildings and equipment will cost approximately ₱100,000 and this money is available. It is also the intention of this department to establish a sub-school of agriculture, likewise under the control of the insular government, in some province, probably at the government farm of "La Carlota," in the province of Negros Occidental, where a similar course of instruction in practical agriculture will be offered. The Negros sub-school will be central for the people of southern Luzon and the Visayan islands, while the school near Manila will be more convenient for the people of northern and central Luzon.

NURSES' TRAINING SCHOOL.

There has been established in Manila, commencing with the present school year, a nurses' training course in connection with the Philippine normal school. The object of this course is to give to young Filipino women practical instruction in the care of the sick, in the simpler methods for the prevention of disease, and very careful and thorough instruction in the rules of household hygiene. There are now 15 young women taking this course. If circumstances in future shall permit, it is the intention to extend this course so as to provide eventually a complete course of instruction for trained nurses.

PHILIPPINE NAUTICAL SCHOOL.

The results accomplished by this school in the past year have not been very satisfactory, owing to the following circumstances:

Some two years ago the insular government arranged to secure from the United States Navy Department the U. S. S. *Ranger*, for use as a training-school ship in these islands. Pursuant to authorization by an act of Congress approved June 30, 1906, the *Ranger* was sent here by the Navy Department and held here awaiting transfer to the bureau of education. Up to the present time the Philippine nautical school has been without a training ship, and the instruction which has been given has naturally not been of so thorough and practical a nature as could be obtained by actual experience at sea. When the undersigned assumed charge of this department the matter of the actual taking over by the bureau of education of the U. S. S. *Ranger* was in abeyance. As a preliminary step, the detail of Lieut. Commander George H. Evans, U. S. Navy, as superintendent of the nautical school was requested, and the same was granted by the United States Navy Department. Upon his reporting for duty, Lieutenant-Commander Evans was directed to prepare estimates of the cost of equipping, maintaining, and operating the *Ranger* as a training-school ship for the insular government. After a careful study he reported that the annual cost would be approximately ₱100,000. Owing to the financial condition of the insular government and the lack of funds available in the bureau of education for meeting this expense, the undersigned did not feel justified in taking over the *Ranger*. In the meantime, Lieutenant-Commander Evans resigned his position and Lieut. Commander Frederic B. Bassett, jr., U. S. Navy, was appointed to succeed him. Lieutenant-Commander Bassett revised the previous estimates of expense and substantially confirmed the same. There were at that time in the Philippine nautical school 8 students, all in the fourth-year course. The minimum number of students required to operate the *Ranger* upon the above estimate of expense was 100. This department saw no possibility of there being even half that number of students qualified and desirous of taking the nautical school course. In fact, it did not seem probable that there would be over 40 students at a maximum, which would render it necessary to employ additional crew for operating the *Ranger*, thereby decidedly increasing the annual expense.

As a matter of fact, in spite of the popular opinion to the contrary, there is no pressing need for marine officers in the Philippine Islands

to-day. On June 30, 1907, there were in these islands the following marine officers holding government licenses:

Masters.....	111
Chief mates.....	31
Second mates.....	19
Third mates.....	36
Patrons.....	125
Chief engineers.....	139
First assistant engineers.....	86
Second assistant engineers.....	127
Bay and river engineers.....	100
Total.....	774

There were also, on June 30, 1907, the following deck officers and marine engineers holding expired marine licenses, the greater part of whom would be available for service did the necessity arise:

Masters.....	86
Chief mates.....	23
Second mates.....	19
Third mates.....	16
Patrons.....	113
Chief engineers.....	63
First assistant engineers.....	30
Second assistant engineers.....	34
Bay and river engineers.....	142
Total.....	526

or a total of 1,300 experienced marine officers in these islands. The fact that 526 of these marine officers held unexpired licenses on June 30, 1907, would seem to indicate that there is no pressing need for additional men in the coastwise trade at the present time. Indeed, a considerable number of new watch officers and engineers are licensed each year by the board on marine examinations under the bureau of customs, and there is no indication that the supply from existing sources is not and will not continue to be fully equal to the demand.

Under these circumstances, this office recommended to the Commission that steps be taken to secure the consent of the United States Navy Department to the withdrawal of the insular government from its original arrangements to take over the U. S. S. *Ranger*. Accordingly, in August last, arrangements for this withdrawal were completed through the honorable the Secretary of War and the honorable the Secretary of the Navy, and with the class of 8 who will probably graduate at the end of this year, the work of the Philippine nautical school, for the present at least, will be discontinued.

However, to afford an opportunity to young men in these islands who desire to become marine officers, arrangements will be made to recommend the appointment, beginning with the next school year, of not to exceed 10 suitable applicants for a course of training in the United States. For the following year not to exceed 5 additional applicants could be appointed, and so on for each succeeding year. The maximum cost of this arrangement would be: For the first year, ₱10,000; for the second year, ₱15,000; for the third year, ₱20,000; for the fourth year, ₱25,000; for the fifth year, ₱20,000; and not to exceed ₱20,000 for each year thereafter.

This estimate is based upon a four years' training course in the United States, where the students, in addition to securing the best available instruction, would acquire a thorough knowledge of the

English language and have the other advantages obtained by government students in the United States.

It is believed that the sending to the United States of this number of students, or, if it is deemed advisable by the insular government, of double of that number, will be a much more advantageous and decidedly more economical method of affording instruction in this line of work than would be the establishment of an expensive plant in Manila which would necessarily be disproportionate to the number of students available for entrance and study therein.

FILIPINO GOVERNMENT STUDENTS.

During the past year there have been in the United States 186 Filipino students appointed under the terms of act No. 854. These students have been engaged in the following branches of study: Eighteen in law; 53 in engineering; 26 in agriculture; 45 in normal work; 12 in medicine; 3 in business colleges; and 29 in architecture, music, science, art, lithography, and various other branches of study. Some 46 have recently returned from the United States and under the terms of said act most of them have been appointed to positions in the bureau of education as insular teachers at salaries ranging from ₱840 to ₱960 per annum. During the past year 5 new appointments of government students to the United States have been made.

TEACHING FORCE.

On June 30, 1907, the American teaching force in these islands consisted of 717 permanent and 109 temporary appointees.

Since the organization of the bureau of education there have been 2,279 American regular teachers and superintendents appointed, over 1,000 of whom were appointed in the year 1901. The number separated from the service during this time has been 1,519, leaving 760 regular American teachers and superintendents in the service on June 30, 1907.

The following table will show the salaries paid, the number of Filipino insular teachers allowed at each salary, and the number of regular and temporary teachers receiving the same on June 30, 1907:

Salaries.	Allowed by appropriation.	Employed.		Salaries.	Allowed by appropriation.	Employed.	
		Regular.	Temporary.			Regular.	Temporary.
₱120.....			1	₱540.....		1	5
₱144.....		1	2	₱600.....	146	70	24
₱180.....			4	₱720.....	20	38	4
₱240.....			4	₱840.....	20	18	1
₱264.....			1	₱960.....	20	8	2
₱300.....			10	₱1,080.....	20	8	2
₱324.....			1	₱1,200.....	14	5	5
₱360.....		9	62				
₱420.....			22	Total.....	400	232	223
₱480.....	160	74	63				

It will be noted that while 400 positions are authorized, 455 teachers have been appointed. This is due to the fact that, in several instances, 2 or more teachers have been assigned the salary authorized for one position.

The total annual salaries for American teachers amounted to ₱1,783,401.28.

During the school year 1906-7 there were employed in the bureau of education 6,141 Filipino teachers, 485 of whom were insular and 5,656 municipal teachers.

The following table will show the salaries paid, the number of American insular teachers (not including superintendents) allowed at each salary, and the regular and temporary teachers in the service on August 30, 1907:

Salaries.	Allowed by appropriation.	Employed.		Salaries.	Allowed by appropriation.	Employed.	
		Regular.	Temporary.			Regular.	Temporary.
₱720.....			1	₱2,520.....		1	
₱960.....			2	₱2,600.....	60	53	
₱1,200.....			1	₱2,640.....		1	
₱1,320.....		1		₱2,700.....		3	
₱1,440.....			1	₱2,800.....	100	95	1
₱1,800.....	39	41	50	₱3,000.....	50	43	6
₱2,000.....	150	100	9	₱3,200.....	10	16	
₱2,040.....		1		₱3,600.....	8	4	
₱2,160.....		2		₱4,000.....	3	1	
₱2,200.....	50	30	2				
₱2,280.....		3					
₱2,400.....	350	299	15	Total.....	820	694	88

The average annual salary of Filipino insular teachers was ₱533.20, and of municipal teachers ₱210.36. The average annual salary of American teachers was ₱2,449.32.

NUMBER OF SCHOOLS.

During the past school year there were no changes in the number (1,020) of central municipal schools as given in the last annual report of this department. There were, however, 2,415 barrio schools, as compared with 2,088 at the time of the last annual report, an increase of 327. The total number of schools now in operation in the islands is 3,687, according to the definition previously given in this report, as compared with 3,263 at the time of the last annual report, an increase of 424.

During the past school year 327 additional primary, 70 intermediate, 15 arts and trades, 3 agricultural, and 9 domestic science schools have been opened, a total of 424.

ENROLLMENT AND ATTENDANCE.

The total enrollment in the public schools for the year, exclusive of the Moro Province, was 479,978. The average total enrollment by months was 346,245, of whom 214,960, or 62 per cent, were boys and 131,285, or 38 per cent, were girls.

The average daily attendance was 269,006 pupils. The average number of pupils belonging to all the schools was approximately 316,000, making an average percentage of attendance of 85, or substantially that of the preceding year. The highest percentage of attendance, 94 per cent, was in the city of Manila and in the provinces of La Union, Tarlac, and Zambales. The lowest percentage of attendance, 78 and 79 per cent, was found in the provinces of Antique and Rizal, respectively.

The average total enrollments by months in the primary schools for the last school year was 332,634, or 32,699 less than the total number reported for March of the preceding year. It should be stated, however, that the month of March of the preceding year was one of the best of the year and the enrollment for that month does not represent the yearly average. The average enrollment this year is approximately the same as that of the past year.

Further enrollment under present conditions is practically out of the question, owing to the fact that the municipalities throughout the islands have not sufficient funds to employ a larger number of teachers or to construct additional primary schools in the towns and barrios, and inasmuch as the present force of municipal or primary teachers has as large a number of pupils as it can successfully manage, further increases in enrollment in primary work must await the coming of additional funds.

SUPPORT OF SCHOOLS FROM LAND TAX.

It is perhaps proper to mention here that during the past year the educational work has successfully passed through a decidedly critical period. The suspension of the land tax throughout the islands, and the fact that the insular government was able to reimburse the municipalities and provinces to the extent of but 50 per cent of said tax, greatly diminished the municipal school funds, which are largely derived therefrom. So heavy, indeed, was the strain thus put upon the financial resources of the municipalities that, far from being able to greatly extend primary educational facilities, as it was eminently proper and desirable to have done, the question which confronted the department was one of merely maintaining its existing facilities and work, although in some instances, notably in the provinces of Iloilo, Zambales, La Union, and Pangasinan, it unfortunately became necessary actually to close down a number of barrio schools because of insufficient funds to maintain them in operation.

In view of this situation, and taking into consideration the fact that the further suspension of the land tax might become a subject of discussion before the beginning of the next calendar year, the undersigned deemed it proper to present a special report to the Commission on August 16 last, giving a full financial statement of the situation in these islands with regard to primary instruction which is supported, with the exception of the text-books furnished by the bureau of education and the supervision of all municipal and barrio schools by American teachers, entirely out of municipal funds.

At that time the municipal school fund consisted of 5 per cent of the internal-revenue collections, amounting, for all the municipalities of the islands, to approximately ₱375,000, and one-fourth of 1 per cent of the value of the taxable real estate in the municipalities, which, under the former assessment, approximated ₱730,000, thus giving a total municipal school fund for the islands of ₱1,105,000 per annum with which to maintain the entire system of primary instruction for nearly half a million pupils, including the construction and equipment of the necessary schoolhouses.

Even had this amount been available during the last fiscal year, it would not have been sufficient to meet the present necessities of the work. As a matter of fact, there was actually expended for municipal

school purposes during the past year the sum of ₱1,360,000, although the amount which entered the municipal school fund was only ₱922,500. This difference was made up by the generous and public-spirited action of numerous municipalities throughout the Archipelago in appropriating from their general municipal funds approximately ₱478,000 for primary school work. Had the municipalities not appropriated this amount from their general funds, not only could no municipal school construction have been carried on, but it would have been absolutely impossible to pay a great number of municipal teachers, even at the extremely low rates of compensation which they receive. Furthermore, the municipal school funds did not receive during the last fiscal year what they were expected to receive when the present distribution of the internal-revenue and land-tax collections was adopted by the Commission. This was because during the last half of the past fiscal year, which corresponds to the first half of the present calendar year, only 50 per cent of the land tax which was remitted was made good by the insular government to the provinces and municipalities. It is evident, therefore, that for the last fiscal year the municipalities only received 75 per cent of the amount which it was contemplated by law they should receive.

Under these circumstances, if the suspension of the land tax in all or a considerable portion of the provinces should have been continued, the maintenance of primary instruction work in the Philippine Islands would have become practically impossible, unless other means should have been found to meet the losses to the municipal school fund which would thus have been caused. For example, if the land tax should be suspended for the coming calendar year and, as would undoubtedly be the case, the insular government should find itself unable to reimburse the provinces and municipalities for any portion thereof, the municipal school fund would receive only 25 per cent of the one-fourth of 1 per cent of the value of the taxable real estate in the municipalities which the law contemplates it should receive, or only ₱182,500 for all the municipalities in these islands. For succeeding fiscal years the municipal school fund would not even receive this small proportion of the amount originally contemplated and would be dependent for its support solely upon the 5 per cent of the internal-revenue collections, amounting to approximately ₱375,000 per annum. It was pointed out by the department that this situation would have meant the imperative closing down of four-fifths of the municipal schools in these islands, which would have resulted in the practical abandonment of primary instruction work and necessarily, within a few years, of the entire public educational system.

It is safe to say that, so far as the economy of administration is concerned, primary school work is being performed as efficiently and cheaply as that of any other department, insular, provincial, or municipal, in these islands. The average wage of municipal teachers is ₱17.50 per month, which is a trifle more than ordinary messengers receive and not nearly so much as many other inferior classes of provincial and municipal employees are paid.

The primary school construction work which has been done has been of the plainest and most inexpensive kind and has been largely augmented by voluntary labor and contributions of money and materials by the people of the towns and barrios. The figures herein-

before given in regard to municipal school funds do not include the aid received from voluntary contributions of labor, money, and materials by the people themselves, without which practically no municipal or barrio schools could have been constructed during the past year.

In view of these facts, the undersigned submitted to the Commission a bill amending the internal-revenue law, by providing that an increase of 5 per cent of the internal-revenue collections should be allotted to the municipalities and become a part of the municipal school funds. This proposition contemplated establishing as a nucleus a total municipal school fund for the islands of only ₱750,000. On this basis, even if the land tax should not be again suspended in any of the provinces and should therefore go into effect on the 1st day of January, 1908, the municipal school fund would receive an addition of only ₱547,500, giving a total for the coming fiscal year for municipal school work of only ₱1,297,500 for the 640 municipalities and 3,000 barrios in these islands. This amount will barely suffice to continue the municipal school funds on the basis of the actual expenditures last year, a period during which, owing to a great scarcity of funds, it was possible to make only very limited progress in permanent municipal school construction. In case the land tax should be generally suspended, the amount of the school fund would be about ₱350,000 less than the sum contemplated by law, and ₱610,000 less than the amount actually expended last year.

Pursuant to this recommendation, the Commission on August 20, 1907, passed act No. 1695, which provides that the municipal school funds shall receive 10 instead of 5 per cent as heretofore, thus giving an annual increase of some ₱375,000. While this amount is wholly inadequate to meet the actual demands of the situation, it is realized that the many calls upon the insular treasury for vitally necessary public works and for the current expenses of the insular government render any further increase of this fund improbable at the present time.

INDUSTRIAL AND AGRICULTURAL SCHOOL WORK.

During the past year the dominant note of the policy of this department has been the extension throughout the islands of facilities for giving education along the most practical lines of industrial, agricultural, and domestic science training. A large proportion of the funds appropriated from the insular treasury for school construction has been expended for schools of arts and trades, and the proportion so expended in future will be even greater. In an address delivered by the undersigned at the annual convention of division school superintendents, which was held in Manila on January 14 to 20, 1907, special emphasis was laid upon the importance of this feature of public educational work. It was pointed out that along the lines of purely academic instruction most satisfactory progress has been made, but that an immense field for the development of the more practical lines of education still lay before the department.

The situation of the people of these islands, their previous training and habits of thought, the industrial and agricultural depression which has existed here for the past ten years, and the necessity of making every member of the community a self-supporting individual at the earliest practicable date, all counsel and urge the establishment and

maintenance of the most extensive industrial school system throughout these islands which the finances of the government will permit.

It is gratifying to note that exceptional aptitude and ability have been shown by Filipino boys for acquiring industrial training, and their remarkable dexterity in the use of modern tools and implements gives assurance of their continued enthusiasm and of the most substantial and practical results from this line of instruction. Pursuant to this general plan it has been decided to extend the primary industrial work throughout all the grades of the primary course for both boys and girls. This work includes weaving, hat making, drawing, elementary agriculture, wood working (ship and carpentry), elementary pottery and masonry, making of rope, cordage, brooms, brushes, etc., for the boys, and weaving, sewing, cooking, dyeing, bleaching, hat making, and pottery for the girls.

It has been the pleasure of the undersigned during the past year to see, on trips through the various provinces, evidences of the substantial progress now being made in imbuing the minds of the young Filipinos with the idea of the dignity of manual labor and of the lasting benefits of patient, consistent, honest toil.

The spectacle of the pupils of a school of arts and trades at work, under the direction of their American teacher, in constructing a permanent and substantial industrial school of cement blocks, molded and laid by the pupils themselves, all without cost to the government other than for the necessary materials, is to some extent a refutation of the ill-founded statement which has not infrequently been heard to the effect that the educational work in these islands is of an impractical and visionary character. The frequent suggestions which have appeared in the public press to the effect that manual training should be installed in the schools seem to take no account of the fact that this practical form of education has been one of the keynotes of the government's policy since the establishment of the public school system.

EDUCATIONAL WORK AMONG THE NONCHRISTIAN TRIBES.

In the annual appropriation bill for the bureau of education for the present fiscal year there has been included a special appropriation of \$75,000 for the extension of educational work among the non-Christian tribes of the islands. It is intended to employ these funds principally in establishing industrial and agricultural schools among these people, who are peculiarly fitted in most instances for the acquisition of these lines of practical knowledge. Modern wood-working and iron-working tools and modern agricultural implements appear to exercise a peculiar fascination upon many of these people and they are only too anxious to have an opportunity of using the same. In nearly every instance they have shown the utmost willingness to contribute their labor to the building of schoolhouses, and their efforts in this direction most decidedly merit continued consideration at the hands of the government. It is recommended that at least an equal amount be appropriated by the government each year hereafter for the continuance of this special line of educational work.

SCARCITY OF TEACHERS.

One of the principal difficulties in educational work during the past year has been the impossibility of securing an adequate supply of

trained teachers either from the United States or in these islands. This has been particularly true in regard to industrial and agricultural teachers, and although in the last appropriation bill special authorization for 20 additional industrial teachers was given, as yet it has been impossible to secure any considerable number thereof to fill the places. This condition is equally true with regard to Filipino teachers, and while the Philippine normal school in Manila and the high schools throughout the provinces have furnished a considerable number of such teachers, who are being utilized for primary and lower grade intermediate instruction along academic lines, there is a great dearth of Filipino teachers capable of giving even primary industrial instruction. This condition will be somewhat ameliorated next year as a result of the training given a large number of students in the Philippine school of arts and trades in Manila.

To the end that adequate provision for the future may be made, the undersigned presented a bill to the Commission authorizing each municipality to send not more than four students to Manila to receive special instruction in the Philippine school of arts and trades, in the insular school of fisheries, in the insular agricultural school, or in any other insular school, and to maintain such students at the expense of the general funds of the municipality, or at the expense of the municipal school fund, with the previous approval of this department, during the time that they may receive special training to fit them to become instructors in industrial or agricultural work or in pisciculture. In order to avail themselves of this privilege, students will be required to engage to serve a certain number of years as such instructors upon their graduating from the insular schools.

GOVERNMENT SUPERVISION OF PRIVATE SCHOOLS.

By section 168 of the corporation law (act No. 1459) it is provided that—

Whenever so empowered in writing by the secretary of public instruction and under such terms and conditions as said secretary may prescribe, universities and colleges duly incorporated in accordance with this act may grant diplomas and confer degrees.

Pursuant to this authorization a number of applications have come to the department from private educational institutions in Manila, requesting the right to confer certain official degrees upon their graduates. A careful study has been made of the curricula, methods, text-books, etc., of said institutions and of their courses in general, with a view to fixing certain standards which must be observed by all private educational corporations desiring to receive official authorization for their degrees. Considerable difficulty has been met in this attempt to standardize the public and private educational work, owing to the great variety of courses and methods which have existed up to the present time. It seems clear that the public interests demand that the standards set by public institutions of learning, as well as by private ones, shall be sufficiently high to secure for the degrees of such institutions recognition by similar educational institutions throughout the world. As yet, no definite requirements have been fixed upon and the matter is still under consideration by this department.

PROJECTED PHILIPPINE UNIVERSITY.

During the past year the undersigned has also had under consideration plans for the incorporation of a Philippine university to be established in Manila. The project is very generally looked upon with favor by the people of these islands, especially by the student class who are graduating from the high schools. The principal difficulty in the initiation of this enterprise at the present time is the lack of public funds available for the purpose. A practical start toward the eventual formation of the university has been made in the establishment of the Philippine medical school at Manila, which could properly become the college of medicine of the Philippine university. A college of law, a college of civil engineering, and a college of liberal arts would probably be the next to be established. Unfortunately, conditions are hardly favorable at the present time for obtaining, either from the government or by private subscription, the funds necessary to establish a Philippine university; but it is believed that no harm can result from the passage of a law incorporating such an institution. To that end, the department has had prepared a bill which will be submitted to the Philippine legislature in the near future.

VACATION ASSEMBLY.

This department is now studying the practicability of holding the next vacation assembly in Baguio instead of at Manila, as has been the custom up to the present time.

The advantage of the plan from the standpoints of health, comfort, and efficiency are undeniable, and the only matters open to question are those of expense and accommodations.

It is estimated that some 200 teachers will attend the vacation assembly next April. With the railroad in operation as far as Camp One on the Benguet road, the expense of transportation should be decidedly reduced, and if suitable special rates and accommodations can be obtained the plan will be tried.

FINANCIAL STATISTICS.

Attached to this report are the following special statistical statements:

(1) A statement, marked "Exhibit 1," showing all expenditures for school work made by the municipalities, grouped by provinces, expenditures being arranged by "salaries and wages," "supplies," "construction and repairs," and "totals," and covering the fiscal years 1903-4, 1904-5, 1905-6, and 1906-7.

(2) A statement, marked "Exhibit 2," showing the expenditures made in each province for salaries and wages of teachers, clerks, etc., for the fiscal years 1900-1, 1901-2, 1902-3, 1903-4, 1904-5, 1905-6, and 1906-7, together with a summary thereof.

(3) A similar statement, marked "Exhibit 3," showing the value of school books and supplies furnished to each of the provinces, and covering the same period.

These statements do not include the expense of maintaining the government students in the United States, which last year was P184,583.52.

For further information relating to the bureau of education, attention is invited to the report of the acting director of education, attached hereto and marked "Appendix A."

PHILIPPINE MEDICAL SCHOOL.

As was stated in the last annual report of this department, act No. 1415, passed December 1, 1905, authorized the establishment and incorporation of the Philippine medical school. Since then certain additional legislation upon this subject has been enacted. By act No. 1632, passed April 25, 1907, certain free scholarships were established for this school, to be obtained by competitive examination, and the graduates of the school who received the degree of doctor of medicine were authorized to practice medicine and surgery in these islands without taking the examination prescribed by act No. 310. This latter privilege was also extended by act No. 1651, passed May 18, 1907, to any other medical school or college in these islands which complied with certain conditions set forth therein, one of which was that said schools should be subject to the supervision of the board of control of the Philippine medical school in regard to their curricula, textbooks, laboratory work, methods of instruction, student work, and examinations. Application has been made by the medical school of the University of Santo Tomas in Manila to avail itself of the privileges of said act.

Section 3 of act No. 1632 establishes for each province in the islands one free scholarship in the Philippine medical school to be awarded as the result of a competitive examination to be prescribed by the secretary of public instruction. Successful competitors become government students, are allowed the expenses of their transportation to Manila, their board, subsistence and maintenance, not exceeding ₱500 per annum each, while in Manila attending the medical school, and their transportation returning to the provinces after receiving the degree of doctor of medicine. Every such student must agree that, unless he accepts some appointment under the government of these islands, he will return to his province and practice medicine and surgery there for a period at least equal to the time of his scholarship tuition, unless he be specially exempted by the government. The object of this provision is to secure doctors in the provinces, where, at the present time, there are practically none and the great majority of the people are born and die without ever having a doctor's services.

The sum of ₱147,000 has been appropriated to meet the expenses of the medical school for the present year. Of this amount ₱25,000 was granted for the purpose of establishing 50 additional free beds in some suitable hospital in the city of Manila, in order to afford clinical material for the work of the school.

By act No. 1688, passed August 17, 1907, the sum of ₱250,000 was appropriated for the construction, on a suitable site in Manila, of a modern cement and steel building for this school. Work upon the plans for this building is now underway and the construction will be commenced at an early date. Plans for the new building call for a structure with the most modern class-room and laboratory facilities, estimated to accommodate eventually nearly 200 students. It will be 3 stories high, with a frontage of 60 meters and a depth varying from 10 to 19 meters. The site chosen is on the exposition grounds,

facing on Calle Herran, west of the present bureau of science, in the Malate district, and within a few hundred meters of the site chosen for the new government hospital.

The entire facilities of the government for clinical, pathological, and other research work will thus be available for the students of the Philippine medical school.

In connection with the medical school, free clinics have already been established in Manila. The work of these clinics is rapidly increasing in volume.

During the month of September last the total number of patients treated in these free clinics was 822, of which 428 were men, 288 women, and 106 children. The medical patients numbered 492; the surgical patients 236; the children's clinic had 73; the eye, nose, and throat patients numbered 19; and obstetrical patients 2. Nine hundred and twenty-five prescriptions were filled during the month.

A contract has been entered into by the board of control of the Philippine medical school with St. Paul's Hospital, Manila, for the establishment of 50 free beds in that hospital, under the direction of the committee on clinical work of the faculty of the Philippine medical school.

The course prescribed for medical students is five years. At the beginning of the present school year there were in the school 55 students, divided as follows:

First year.....	18
Second year.....	8
Third year.....	12
Fourth year.....	17
Total.....	55

The students of the second, third, and fourth years have been admitted as special students not candidates for a degree, and only after passing examinations, conducted by the faculty of the school, covering substantially the work of the preceding years as prescribed by said faculty. Their standing in their classes and the general character of their work are given consideration in establishing their final status before the time which would be the normal one for their graduation is reached, when they will be admitted as regular candidates. A great increase in the number of students is confidently expected at the beginning of the next school year.

BUREAU OF SUPPLY.

The purchases made by the bureau of supply during the past year amounted to ₱2,777,566.71, of which ₱2,119,836.80 was expended for supplies bought in Manila, ₱596,643.03 for supplies obtained in the United States, and ₱61,086.88 for supplies purchased in China, Japan, Europe, and elsewhere.

In connection with this latter item, ₱61,086.88, it should be noted that a proportion of the orders for supplies obtained from Europe, China, Japan, etc., were made through agents located in Manila, although payments therefor were made direct to the houses from which the articles were obtained. Furthermore, a large proportion of the articles purchased abroad consisted of supplies needed immediately and which had to be cabled for to the nearest depot; as in

the case of certain structural steel, amounting to some ₱12,000, urgently needed by the bureau of public works, and obtained in Singapore; and certain disinfectants, amounting to some ₱10,000, needed by the bureau of health, and purchased in Japan; beside a large quantity of sisal plants purchased in Hawaii on the requisition of the bureau of agriculture. There is included in the value of the goods purchased in the United States the sum of ₱153,743.06, paid by the bureau of insular affairs for schoolbooks for the bureau of education; the sum of ₱89,119.42, for special supplies for the bureau of printing; the sum of ₱36,239.82, paid by the bureau of insular affairs to the ordnance bureau of the United States, for constabulary ordnance, and the sum of ₱84,571.42, paid for various scientific instruments, agricultural machinery, structural steel, and steel bridges, none of which articles could have been secured in sufficient quantities in these islands.

It has been the policy of this Department during the past year to direct that purchases of government supplies be made from the merchants of these islands whenever it has been possible to secure reasonable prices for the same, and the continuation of this policy is strongly recommended. During the past fiscal year 21.48 per cent of the total quantity of supplies purchased by the bureau of supply were bought in the United States. Of this 13.09 per cent was for the schoolbooks, structural steel, ordnance, printing supplies, etc., which, as above stated, up to the present time have not been obtainable in sufficient quantities in these islands. Apart from this special factor, the total percentage of goods purchased in these islands, therefore, would have amounted to 90.35 per cent. Even excluding the amount of these expenditures for schoolbooks and printing supplies, there was actually bought in these islands last year 78.52 per cent of all the purchases made.

The assets and liabilities of the bureau of supply on June 30, 1907, were as follows:

ASSETS.

Supplies (merchandise in stock).....	₱1,253,284.63
Appropriation "purchase of supplies" (available funds with treasurer).....	655,621.18
Cash in hands of disbursing officer (on deposit with treasurer).....	109,985.64
Cash in hands of disbursing agent, Washington, D. C.....	102,557.98
Supplies bought in United States and still in transit.....	72,231.94
Accounts receivable (including all accounts due bureau).....	825,497.01
Services for fiscal year 1908 contracted and paid for in advance.....	10,034.24
Total.....	3,029,712.62

LIABILITIES.

Appropriation "purchase of supplies" (working account).....	₱1,750,000.00
Appropriation "administrative expenses, cold storage" (money in hands of disbursing officer).....	6,427.01
Accounts payable (consolidated).....	149,623.95
Transportation payable.....	22,955.48
Total.....	1,929,006.44
Surplus.....	1,100,706.18

The operating expenses of the bureau during the past fiscal years were as follows:

Year.	Salaries and wages.	Contingent expenses.	Total.
1902.....	₱152,932.44	₱144,776.44	₱297,708.88
1903 (46.61 per cent increase).....	275,742.68	166,684.28	442,426.96
1904 (36.49 per cent increase).....	384,410.84	219,463.07	603,873.91
1905 (7.03 per cent decrease).....	380,486.68	180,926.04	561,412.72
1906 (36.07 per cent decrease).....	267,110.05	91,811.52	358,921.57
1907 (10.99 per cent decrease).....	242,360.88	77,095.92	319,456.80
Total.....	1,703,073.57	880,757.27	2,583,830.84

During the past fiscal year the supplies sold to the various bureaus of the insular government amounted to ₱2,593,916.95 and to provincial and municipal governments to ₱717,655.57, or a total of ₱3,311,572.52.

DIRECT PURCHASES OF SUPPLIES.

During the past year a number of applications have been made to this office by different bureaus of the government for permission to make direct purchases without the intervention of the purchasing agent and thereby be relieved from the payment of the surcharge prescribed by law to be collected on said purchases. In certain exceptional instances, where the bureau of supply does not intervene, this course may be justifiable; but, as a general practice, it is believed to be not only bad business policy, but unfair to the other bureaus of the government that do pay such surcharge. It has been the apparent policy of certain bureaus to purchase from the bureau of supply those articles upon which the expense of handling, purchase, etc., amounted to more than the 10 per cent surcharge, and to seek to purchase direct those classes of articles which could be obtained at an expense of less than said 10 per cent surcharge. While this works no particular injustice to the bureau of supply, it does make an incorrect comparative showing of the operations of all the bureaus of the government, and it is recommended that the practice be discontinued. Special attention is invited to that portion of the report of the purchasing agent dealing with this subject.

PROPOSED GOVERNMENT WAREHOUSE.

At the present time practically all of the warehouse space utilized by the bureau of supply is being rented from private parties. The total rental last year was ₱32,800, and for the present year ₱19,200. In accordance with the recommendations of the reorganization committee, contained in their report on the various bureaus of the insular government, steps have been taken looking toward the erection of a general government warehouse upon the reclaimed area opposite the Malecon Drive in Manila. A site has been selected which will give the maximum facility in the unloading, transshipping, and distribution of government supplies, and plans are being prepared for the construction of a modern steel and cement warehouse to cost approximately ₱350,000. This warehouse will be fitted with the most modern apparatus and equipment for unloading, loading, and handling goods of every description. It will reduce the deterioration of goods

through storage and handling to a minimum. It will centralize the warehousing of government supplies, particularly those needed by the bureau of constabulary and the bureau of education. The saving in actual rental now paid will be at least ₱19,000 per annum.

It is difficult to estimate the exact additional saving in decreased deterioration, value to the government of space now used as separate warehouses by different bureaus, decreased cost of handling goods, decrease in breakage and in other loss, etc.; but it is estimated that the total saving per annum will be at least ₱75,000. This represents interest at the rate of 5 per cent on ₱1,500,000. As the government obtains its money for less than that amount of interest, and as the entire cost of the warehouse and equipment will not exceed ₱500,000, it can be seen that, even if the estimate of annual saving above referred to is exceedingly optimistic, there will still be a most decided economy produced through the adoption of this project.

FORAGE AND GRAIN CONTRACTS.

The experience of the past year has not been particularly successful in regard to securing the adoption by local dealers of the plan of carrying on hand large stocks of certain staples such as forage and grain, and it would appear that, for the present at least, the only course open to the government is to secure forage and grain from the United States by direct purchase and store the same in its own warehouses.

In the opinion of this department, it should be entirely feasible for dealers in Manila to operate under a contract to furnish a certain amount of forage and grain monthly on delivery orders issued by it; but for various reasons, set forth in the report of the purchasing agent, this plan was unsuccessful last year.

In this connection it should be mentioned that the price of these articles has risen greatly and the best contracts obtainable for 2,500 tons of timothy hay and 2,000 tons of No. 1 white oats for the coming year was ₱95.90 and ₱101.20 per ton, respectively, on which basis a contract has recently been made.

Similar conditions have existed during the past year in regard to the cement contract of the government. A large amount of government construction requiring this material is planned for the immediate future and is now going on, and any delay in the furnishing of the necessary cement causes great loss and embarrassment to other branches of the government.

DIVISION OF COLD STORAGE.

As has been stated at the beginning of this report, the division of cold storage of the bureau of supply was formerly the bureau of cold storage. As a result of the combination of these two bureaus, decided economy has been made in the total administration expenses of the two offices. The work of the division of cold storage is a most important one to the people of these islands, particularly to the inhabitants of Manila. Owing to the limitations which at present surround its functions, the production of ice and distilled water is not as economical as it should be. The plant is a large, modern one and, if worked

up to its full capacity, could easily supply all the ice needed by the public of Manila and of other places to which it could be economically shipped. Act No. 315, however, prescribes that after furnishing ice to the employees of the government and of the Army and Navy, it may be furnished to the public only at such rates as will not compete with private concerns making ice. So far as known, there is only one other such concern in Manila, the "Fabrica de Hielo de Manila." This factory advertises a daily output of 50 tons, but it is understood that the manufacturing capacity of the plant is about 35 tons and the actual output, approximately, 20 tons. This ice is sold to the general public at 2 centavos per pound. Were it not for the necessity of avoiding competition with this private enterprise, the division of cold storage could furnish ice to the public, and make a reasonable profit thereon, at 1½ centavos per pound. The large wastage which now occurs would be greatly diminished, if not entirely wiped out, the public would receive cheaper ice, and the unit cost of production of the entire government plant would be considerably reduced.

The report of the division of cold storage shows that during the last fiscal year the gross earnings of the plant were ₱632,565.37 and the expenditures ₱264,402.13, in addition to ₱30,087.72 paid for coal used during the fiscal years 1904 and 1905. The net earnings for the past fiscal year were, therefore, ₱368,163.24. The net decrease in gross earnings from the previous fiscal year was ₱80,482.55, which is explained as follows: Decrease in rentals for cold-storage space, ₱69,500.61; in sales of ice, ₱14,068.73; and in miscellaneous receipts, ₱1,415.16; or total decrease of ₱84,984.50. There was an increase in the sale of distilled water amounting to ₱4,501.95, the net decrease, therefore, being ₱80,482.55. The decrease in cold-storage rentals was caused principally by a reduction of 58,640 cubic feet of cold-storage space used by the subsistence department of the United States Army.

For detailed information in regard to the operations of the division of cold storage during the past year, attention is invited to the report of the chief of said division attached to the report of the purchasing agent.

DECREASED STOCK OF THE BUREAU OF SUPPLY.

During the past year it has been the aim of the undersigned, so far as possible, to decrease the stock on hand of the bureau of supply, especially in regard to those articles for which there has been little or no requisition by the bureaus of the government during recent years. It is believed that the average stock on hand could be conveniently reduced to ₱1,000,000, excluding the special supplies necessary for the division of cold storage. Particular attention has been devoted to disposing of goods for which little or no call has been made and which would only suffer additional deterioration by being kept on hand by the government.

For further information as to the operations of the bureau of supply, attention is invited to the report of the purchasing agent attached hereto and marked "Appendix B."

BUREAU OF PRISONS.

On June 30, 1906, the total number of prisoners under the direct control of the bureau of prisons was 4,539, and on June 30 of the present year 4,320, a decrease for the past fiscal year of 219. This decrease in the actual number of prisoners is also shown by the figures of the prison population in Bilibid Prison, which, on June 30, 1906, was 3,711 as against 3,533 on June 30, 1907, a decrease for the year of about 178. The daily average number of prisoners confined in Bilibid during the past fiscal year was about 3,700, the same as for the preceding fiscal year.

The total cost of the maintenance of prisoners in the bureau of prisons, including the Iwahig penal colony, for the last fiscal year was ₱596,506.47, as compared with ₱614,261.13 for that preceding.

On June 30, 1907, the location and number of prisoners were as follows:

Bilibid Prison.....	3,380
Hospital "B".....	153
Iwahig penal colony.....	473
Provincial prison, Bulacan.....	12
Provincial prison, Samar.....	4
Provincial prison, Laguna.....	200
Calarian prison (Moro Province).....	7
Culion Leper Hospital.....	1
Hospicio de San José.....	13
San Lazaro Hospital.....	58
Luneta police station.....	19

DISCIPLINE AND HEALTH OF PRISONERS.

There has been a steady improvement in the conduct of prisoners at Bilibid Prison during the past year and a marked improvement in the general health of all prisoners. The bureau of health, through one of its officers detailed as a prison physician at Bilibid, is charged with protecting the health of the prisoners, and the report of the prison physician, giving details as to health matters for the past year, has been submitted to the director of health and will be embodied in that officer's annual report. In connection with the improved health conditions, it may be mentioned that the Commission, by resolution of November 10, 1906, confirmed by act No. 1580, made available the sum of ₱100,000 for the construction of a modern hospital within an extension to be made to the walls of the prison proper. The work of construction of the new walls and of the hospital will be done entirely by prison labor. The plans and specifications have already been prepared and the actual construction of the new walls is now nearing completion. It is estimated that within a year the new hospital will be completed and ready for occupancy. This will enable the bureau to abolish Hospital "B," located on Calle Marquez de Comillas, which is now maintained for tuberculosis patients, and will effect a decided saving in current expenses of the bureau in caring for and maintaining the prisoners. The new hospital is so planned that separate accommodations, wards, etc., will be available for this class of patients.

INDUSTRIAL DIVISION.

The industrial division of the bureau of prisons has become one of the most important features of the establishment from both an eco-

nomic and a reformatory standpoint. This division is now so organized as to be practically independent of the workings of the prison proper, except in so far as concerns the guarding of the prisoners employed in the industrial work and their subjection to the general rules of prison discipline. The object of the industrial work as established in Bilibid Prison is twofold: (1) The educational or reformatory feature, whereby prisoners are taught to become skilled workmen, thus enabling them to follow a trade and lead honest lives upon their release from imprisonment; and (2) to utilize the services of all able-bodied prisoners in doing work of substantial benefit to the government, thereby reducing the cost of maintenance of these prisoners to the government and to the taxpayers.

A third feature may be mentioned, which is a question of health, since it is undeniable that steady labor, employing both the mind and the hands, does much to add tone to both the physical and mental condition of the prisoners engaged therein. .

The only objection which this office has ever heard urged against the work of the industrial division is that it created competition with private enterprises. It is believed that this idea has now been thoroughly dispelled from the minds of the local business men. As a matter of fact, it can be said with absolute certainty that no appreciable competition with any private enterprise is caused by the industrial work in Bilibid Prison. In the first place, all work done for the public in general, as distinguished from government work, is charged for at rates fixed so high as to prevent their competing with private concerns. Secondly, the lines of work have been chosen, as far as possible, so as not to compete with existing industries here. It is, of course, advantageous to the government to have its own work performed at the cheapest possible rate consistent with satisfactory results, and by utilizing the immense store of labor furnished by Bilibid Prison this can be done.

On April 1, 1907, the city shops of Manila were abolished and the wheelwright, cooper, and harness shops were transferred to, and merged in, the then existing industrial division of Bilibid Prison. Machinery and supplies to the value of some ₱32,003.11 were taken over from the city of Manila and installed in the industrial division of Bilibid Prison.

At the present time all of the work for the city of Manila formerly performed in its shops is now being satisfactorily done by the industrial division of the prison and at prices which produce a decided economy to the city government and at the same time offer a reasonable compensation for the work of certain classes of prisoners engaged therein, thus reducing the cost to the government and to the taxpayers of the maintenance of said prisoners.

During the past fiscal year the industrial division performed work for the bureau of prisons to the extent of ₱207,836.14; for other government bureaus and offices, to the extent of ₱59,970.64; for the public, to the extent of ₱50,446.60; a total product of the value of ₱318,253.38. Upon the work done for the bureau of prisons no profit was charged. The net profit on the other government work and on that performed for the public was ₱17,380.91.

At the present time between 600 and 700 prisoners are being taught different trades in the industrial division, and apart from the benefits which will eventually accrue to the community from having

criminals converted into skilled laborers, able, if they desire, to lead honest lives, the effect of this work upon the discipline of the prisoners and upon their characters and habits is such as to justify the expectation that few, if any, of those who are released after having served in the industrial division will ever be returned on a second conviction for a criminal offense.

PROVINCIAL PRISONERS.

On June 30, 1907, there were 1,136 prisoners confined in provincial prisons or jails throughout the islands. Since these jails have been placed under the general supervision of the bureau of prisons, by act No. 1407, it has been sought to give them regular inspection by either the director of prisons or one of his assistants. Several inspection trips of this nature have been made during the past year and the following provincial jails have been thoroughly inspected and reported upon: Rizal, Tayabas, Tarlac, Pampanga, Bulacan, La Laguna, Ilocos Sur, Nueva Ecija, and Palawan. Arrangements have also been made whereby the wardens of several of the provincial jails have been sent to Bilibid Prison in Manila for a course of instruction in their duties. This plan has given most excellent results and its general adoption is only prevented by the temporarily limited financial resources of some of the provincial governments.

A uniform set of books, forms, and instructions for use in provincial prisons has been prepared and is being distributed as rapidly as circumstances permit. It is the desire of this office that still more attention shall be given in the future to the supervision of provincial prisons to the end that not only shall prisoners be decently cared for and strictly guarded, but that such utilization of their services on public works and in other lines of labor as may be found possible may be had with corresponding benefit to the government responsible for their maintenance.

IWAHIG PENAL COLONY.

Perhaps the most interesting feature of the bureau of prisons is the establishment known as the Iwahig penal colony, situated about 14 kilometers from Puerto Princesa, on the island of Palawan. This colony comprises a reservation about 16 kilometers long and 8 kilometers wide, containing approximately 8,700 hectares. It is surrounded on the north, west, and south by mountains and on the east by the sea. The land is fertile and well watered. It was established in November of the year 1904, some 60 prisoners having been sent to undertake the work of clearing the ground, erecting temporary buildings, etc. One hundred additional prisoners were sent to the colony in January, 1905, and other prisoners were sent from time to time until at present there are nearly 500 prisoners stationed there, the exact number on June 30, 1907, being 467.

On September 6, 1906, Maj. John R. White, of the Philippines constabulary, who was granted indefinite leave without pay, took charge as superintendent of the colony. His energy and enthusiasm have been of inestimable value in carrying on this somewhat delicate work, and it is believed that, barring unforeseen accidents, one of the purposes of establishing this colony, namely, to afford permanent relief for the overcrowded condition of Bilibid Prison, will have been accomplished.

It is now the desire of the government to make the Iwahig penal colony a self-supporting reformatory institution, by holding out suffi-

cient inducements to long-term prisoners to incite their best efforts and by allowing them to cultivate pieces of ground to be assigned to them by the superintendent on favorable terms for the purpose of building up a prosperous agricultural and industrial community.

On September 23, 1907, the Commission passed act No. 1723, entitled "An act to define and fix the status of prisoners confined in the Iwahig penal colony, and for other purposes." This law provides that subject to regulations prescribed by the secretary of public instruction, any prisoner confined at said colony may be provisionally granted a suitable plot of land within the reservation for the purpose of cultivating and improving the same, and that such prisoner may be furnished with tools, implements, and agricultural supplies. For special industry and good conduct, prisoners may also be allowed to have their families transported to the colony at government expense and to have them live on the reservation. All prisoners are graded according to conduct, efficiency, and length of service, and certain extra privileges and allowances may be granted to those who, by their behavior and habits of industry, may merit the same. The superintendent of the colony is made ex-officio justice of the peace. On the expiration of his sentence a prisoner at Iwahig may, under proper regulations, be allowed to continue to reside upon the reservation and to cultivate land and occupy a house there.

Subject to the approval of this department, the sale of the products of the colony is authorized, and prisoners of the higher grades may be allowed a certain percentage of the value of said products. Every possible inducement is offered to prisoners to work out their own salvation and to fit themselves to be honest citizens upon their release from confinement.

From November 16, 1904, to June 30, 1907, there were 889 prisoners sent to the Iwahig penal colony. Of this number 422 have been liberated by expiration of sentence, returned to Bilibid Prison on account of bad conduct, died, or escaped, leaving 467 stationed at the colony at the close of the last fiscal year.

Of the prisoners now there, 21 are serving life sentences, 47 will serve for five years, 40 for four years, 67 for three years, 57 for two years, 107 for one year, and 62 for less than one year, leaving 66 serving sentences varying from six to thirteen years, assuming that in all cases the prisoners will earn maximum good conduct allowances to which they are entitled by law.

Up to September 4, 1906, the prisoners at Iwahig were engaged in building quarters, clearing the ground, and getting out quick-return crops. They constructed a mess hall, kitchen, hospital, general stores and commissary buildings, two large dormitories, housing 150 men each, and a house for the colony physician.

Under the present superintendent the work of the Iwahig penal colony has been systematized, and is now carried on under the following divisions: Farming, roads, forestry, construction, transportation, serving, health, and executive. The executive division is composed of 117 men. The other divisions have from 20 to 100 men each.

Discipline and order are maintained by dividing the prisoners into squads of about 25, each in charge of a foreman. These foremen are usually skilled workers and direct the labor of their men.

Last fall about 55,000 kilograms of palay were harvested, but until irrigation can be provided it will not be economy to grow the rice for the colony, as the present cost of growing and getting out the

...the island, while, if they ... the work upon the discipline ... and habits is such as to ... of those who are released ... will ever be returned ...

PROVINCIAL PRISONERS.

There were 1,131 prisoners confined in ... the island. Since these jails ... the general supervision of the bureau of prisons ... to give them regular inspection ... Several inspectors ... have been made during the past year and the ... Pampanga, Bulacan, La Laguna, Iloilo, ... and Palawan. Arrangements have also been ... of several of the provincial jails have been ... for a course of instruction in their ... the temporary results and its general adoption ... by the provincial governments.

A uniform set of books, forms, and instructions for use in ... and is being distributed as rapidly as ... of this office that still more at ... supervision of provincial prisoners ... be decently cared for and ... of their services on public work ... may be found possible may be had with ... responsible for their maintenance.

IWAHIG PENAL COLONY.

Perhaps the most interesting feature of the bureau of prisons ... known as the Iwahig penal colony, situated at ... from Puerto Princesa, on the island of Palawan. ... contains a reservation about 16 kilometers long and ... wide, containing approximately 8,700 hectares. It ... on the north, west, and south by mountains and on the ... by the sea. The land is fertile and well watered. It was established ... November of the year 1904, some 60 prisoners having been ... to undertake the work of clearing the ground, erecting temporary ... January, 1905, and other prisoners were sent from time to ... at present there are nearly 500 prisoners stationed there.

On September 6, 1906, Maj. John R. White, of the Philippine ... as superintendent of the colony. His energy and ... of inestimable value in carrying on this ... relief for the overcrowded conditions ... accomplished.

It is now the desire of ... colony a self-supporting

upland rice is prohibitory. Experiments are being made on a small scale to determine the feasibility of producing irrigated rice, which may be harvested during the dry season.

The colony kitchen has been kept fairly well supplied with native vegetables, such as camotes, gabies, ubies, petsay, mustard, patolas, carrots, calabaza, and corn, thus effecting a considerable reduction in the cost of the ration furnished. There are now about 8 hectares of beans and mongos under cultivation.

Permanent plantations of coco, cacao, and coffee are now being undertaken, and it is upon crops such as these that the economic prosperity of the colony will probably be dependent. Some 10,000 cocoanuts are being set out on 80 hectares of land. Six thousand cacao and 2,000 coffee seedlings have been prepared in beds, and from 8 to 16 hectares of these are now being set out.

There has also been planted a number of fruit trees, such as papaya, nangka, atis, guayabanos, guava, anonas, sampalok, and camachile, as well as ornamental trees, shrubs, and flowers around the buildings and along the roads.

Tobacco was grown experimentally and 293 kilograms (646 pounds) of fair quality were harvested and baled. About 10 hectares of corn were grown, and fed partly to the prisoners and partly to the stock.

The prisoners are learning the use of modern farming implements and take great interest therein. The training of this kind which they receive will be of great assistance in extending the use of such implements throughout the islands.

A large number of roads, bridges, and culverts have been built, as well as four substantial wharves at different points along the Iwahig River. Large areas of swamp land on the reservation have been filled in, and a "caminero" system for the repair and maintenance of the roads has been established.

The forestry division is engaged in getting out bejuco, logs, poles, palma-brava, and nipa, and preparing them for construction purposes. The principal woods used are ipil, hagachac, amuguis, tuwi, and dalinsi. All the furniture, baskets, yokes, bows, and rope for the colony are made from these products.

The construction division consists of carpenters, blacksmiths, tin-smiths, cabinetmakers, and chairmakers, and in addition to making and repairing the sheds, warehouses, furniture, etc., they make and repair carts, sleds, and plow beams for farm work.

The health of the prisoners has greatly improved during the past year, and the death rate for the six months ended June 30, 1907, was about 25 per 1,000.

The following table, showing the percentage of daily strength, will be instructive:

Percentage of daily strength.

	Per cent.
Sick, 1906:	
September.....	19.01
October.....	15.6
November.....	15
December.....	7.41
Sick, 1907:	
January.....	4.98
February.....	3.14
March.....	3.15
April.....	3.28
May.....	2.46
June.....	2.77

The following extract from the report of the superintendent will also prove interesting from a health standpoint:

Beri-beri, dysentery, and malaria were the endemic diseases at Iwahig. The first two have been expunged and the last is well in hand. The factors in the improvement of conditions have been the improvement and adjustment of rations, institution of a sanitary system with removal of cesspits from vicinity of quarters, drainage and filling of swamps, regular sanitary inspections, together with every known variety of prophylaxis against malaria.

Disease and high mortality have almost been considered inseparable from jungle clearing and land breaking in the Tropics, but our experience has shown that these conditions are in a great measure preventable. Close to the men's dormitories and around all the dwelling houses the ground was unlevel and badly drained. Several acres have been leveled, plowed, and cultivated, while canals have been dug to carry off all water immediately after rains. This sanitation has occupied more labor than any other work at Iwahig, but results have more than justified the expense.

There are 12 men in the health division as hospital servants.

A substantial ration is furnished to the prisoners. It consists of coffee, bread, mush, vegetable stew, rice, meat, fresh and dried fish, with some condiment, in addition to the fresh vegetables and fruits grown at the colony. The actual cost of the ration for the six months ended June 30, 1907, was (not including the products of the colony) about 14½ centavos per prisoner per day; including the colony products, figured at their market value, a trifle over 17 centavos per prisoner per day. A considerable saving has been effected through purchasing beef cattle and pigs in Palawan and neighboring islands.

The colony has a stock farm containing 166 beef and work cattle and cows, 11 carabaos, 44 pigs, and 3 horses. The reservation will easily support several thousand head of cattle.

A colony police force of 25 prisoners has been organized by the superintendent. They carry clubs and bolos. The discipline of this force, as well as that of the body of the prisoners, has been good.

For more detailed information as to the Iwahig penal colony, attention is directed to the report of the superintendent attached to the report of the bureau of prisons.

ADDITIONAL LEGISLATION.

On August 31, 1907, the Commission passed act No. 1703, entitled "An act to define and fix the status of prisoners and the responsibility for their maintenance, and for other purposes."

There are 3 different branches of the government of the islands which are charged with the custody and maintenance of prisoners, namely, the insular government, the provincial governments, and the municipal governments.

As is indicated by its title, the main purpose of this law is to define clearly the classes of prisoners for the care of which each branch of the government is liable, to apportion the expenses of such care, and to provide for the status of prisoners whose cases are pending settlement on appeal.

By section 10 of said law the governor-general is given power to designate and establish insular penal institutions or settlements.

Section 11 provides that all finally convicted able-bodied male prisoners may be compelled to work in and about prisons, jails, public buildings, grounds, roads, and other public works of the insular government, the provinces, or the municipalities, under general regulations to be prescribed by the director of prisons, with the approval of

the secretary of public instruction. All prisoners over 60 years of age are exempted from this requirement, and finally convicted female prisoners may be assigned to work suitable to their sex and physical condition.

Institutions to which minors are committed, in accordance with the terms of act No. 1438, are placed under the supervision of this department, in so far as such minors are concerned, and said institutions are required to adopt, subject to the approval of this department, the necessary rules and regulations for the safe custody and education of such minors.

REFORM SCHOOL.

It is believed that one of the important needs of the government is a reform school situated somewhere near Manila, to which first offenders under the age of 21 could be sent for punishment, discipline, and be taught habits of industry. At present there are some juveniles confined in the Hospicio de San José, a private institution. While considerable improvement in the discipline of the minors committed to this institution has been made during the past year as a result of the inspection by the bureau of prisons under directions from this department, the fact nevertheless remains that two outbreaks have occurred during which a number of boys escaped. All of them were subsequently captured by the police, but it is believed that until it is found possible to establish an institution outside of the city limits of Manila, where agricultural and industrial work can be undertaken under proper discipline, no substantial reformatory results will be obtained. It is recommended that a suitable appropriation be made for the early establishment of an institution of this character.

For further details in regard to the bureau of prisons, attention is called to the report of the director of prisons attached hereto and marked "Appendix C."

BUREAU OF PRINTING.

The value of the product for the bureau of printing for the last fiscal year was ₱474,791.85. The total cost of production, including salaries and wages, was as follows:

Salaries and wages.....	₱ 247,065.37
Contingent expenses, including stamps and cablegrams.....	9,692.77
Supplies expended.....	35,694.49
Printing and binding for printing bureau.....	5,481.85
Wear and tear of equipment.....	33,790.47
Allowance for maintenance of building.....	4,835.98
Paper expended.....	67,692.57
Destroyed stock.....	633.71
Stock forms sold in excess of manufacture.....	6,466.06
Total.....	411,383.27

The excess of production over the cost of production was, therefore, ₱63,408.58, of which the sum of ₱62,953.34 was refunded to the different bureaus of the government as credits.

A cost-keeping and accounting system has been installed by the director of printing, and as a result thereof this government bureau is managed in exactly the same way as would be a modern industrial plant. The low cost of the work compared with the standard scale of

prices in the United States is a striking tribute to the efficiency of this establishment and of the labor employed therein.

The bureau of printing is something more than that which its name would imply. It is really a large, thoroughly equipped training school for Filipinos. This feature is not the least valuable one from the standpoint of the government and the public, although no value in figures can be set upon it.

There are now some 60 Filipino apprentices employed in the bureau of printing and some 26 were graduated during the past year. The Filipino employees are being rapidly taught the specialties of jacket writing, computing, copy reading, and proof reading, and have been substituted as property clerks in lieu of Americans. A Filipino employee has also been assigned to the position of book-keeper and cashier, formerly occupied by an American.

The plant is in most excellent condition and up to the present time has met all demands made upon it by the government and its different branches. It is believed, however, that the additional printing which will be needed during the coming year, due, in part, to the inauguration of the Philippine assembly, will require a slight addition to the present equipment, and two more linotype machines have accordingly been ordered from the United States.

The same care which is exercised in the industrial division of the bureau of prisons to prevent competition with private concerns is exercised in regard to the bureau of printing. Not only are no competitive bids submitted on private jobs, but no competitive bids are submitted on work to be executed for the different branches of the United States Government here. Certain special lines of work are executed for private parties only when there are no other facilities, or no adequate facilities, in the islands for doing the same. So far as known, there are no facilities in the islands, outside of this bureau, for photo-engraving, stereotyping, and electrotyping.

The American assistants and foremen and the Filipino clerks and workmen in the bureau of printing are exceptionally efficient, intelligent, and hard-working bodies of men. Particular interest is taken in the Filipino employees and apprentices; they are required to attend night school; they are encouraged in outdoor sports; are urged to make regular deposits of a part of their earnings in the postal savings bank; and, what is most important, they are thoroughly taught the specialties of the business at which they are working.

The good results obtained in every way justify this system.

For further information and detailed statistics in regard to this bureau, attention is invited to the report of the director of printing attached hereto and marked "Appendix D."

Respectfully submitted.

W. MORGAN SHUSTER,
Secretary of Public Instruction.

To the PHILIPPINE COMMISSION,
Manila, P. I.

EXHIBIT 1.

Municipal expenditures for school purposes for the fiscal years 1903 to 1907.

FISCAL YEAR 1903-4.

Division.	Salaries and wages.	Supplies, etc.	Construction and repairs.	Total.
Manila.....	P 273,953.15	P 5,209.06	P 46,384.23	P 325,546.44
Albay.....	9,762.30	72.86	21,483.95	31,319.11
Antique.....	5,334.55	53.40	778.63	6,166.58
Bataan.....	5,019.20	6.08	593.16	5,618.44
Batangas.....	21,908.88	584.12	2,842.14	25,335.14
Bohol.....	9,354.84	230.25	1,050.22	10,635.31
Bulacan.....	17,264.20	981.20	9,369.62	27,615.02
Cagayan.....	20,117.61	2,068.51	5,069.85	27,255.97
Capiz.....	2,391.20	.....	2,224.00	4,615.20
Cavite.....	8,403.43	219.04	2,844.56	11,467.03
Cebu.....	34,278.18	1,063.00	25,588.28	60,949.46
Ilocos Norte.....	9,828.99	270.02	3,143.21	13,242.22
Iloilo.....	25,801.29	145.55	5,288.62	31,235.46
La Laguna.....	18,167.48	57.44	1,786.72	20,011.64
Union.....	13,144.97	522.49	1,304.53	14,971.99
Leyte.....	19,368.13	246.00	3,169.50	22,883.63
Nueva Ecija.....	5,884.88	49.41	2,198.50	8,132.79
Nueva Vizcaya.....	3,545.00	.....	40.00	3,585.00
Occidental Negros.....	18,421.15	138.88	3,581.83	22,141.86
Oriental Negros.....	12,831.84	.....	1,839.97	14,671.81
Pampanga.....	22,116.12	261.00	9,571.54	31,948.66
Pangasinan.....	30,627.06	1,021.84	8,637.45	40,286.35
Rizal.....	14,091.49	361.68	1,313.67	15,766.84
Romblon.....	9,234.36	8.92	6,232.24	15,475.52
Surigao.....	3,133.77	734.20	3,680.83	7,548.80
Tarlac.....	11,599.60	198.00	4,965.29	16,762.89
Tayabas.....	17,457.27	1,422.69	14,051.38	32,931.34
Zambales.....	4,115.50	399.50	675.50	5,190.50
Mindoro.....	4,262.99	.....	15,317.96	19,580.95
Total.....	651,419.43	16,445.14	205,027.38	872,891.95

FISCAL YEAR 1904-5.

Manila.....	P 19,301.50	.....	P 1,238.00	P 297,616.28
Ambos Camarines.....	26,600.03	P 390.52	5,498.66	20,537.50
Batangas.....	9,671.90	314.81	548.32	32,450.21
Bohol.....	8,062.96	698.16	2,121.19	10,535.03
Capiz.....	21,251.17	2,199.09	2,318.82	10,892.33
Cavite.....	36,664.07	1,754.48	29,043.19	25,769.06
Cebu.....	16,231.54	1,374.27	1,976.27	67,461.74
Ilocos Norte.....	30,564.21	1,539.87	25,903.41	19,582.08
Ilocos Sur.....	31,157.65	2,478.97	11,048.15	58,007.49
Iloilo.....	44,080.36	6,125.16	3,148.71	44,694.77
La Laguna.....	16,431.22	1,910.28	518.87	53,354.23
Union.....	21,974.57	6,441.59	.....	18,960.37
Leyte.....	4,145.90	329.94	.....	28,416.16
Sorsogon and Masbate.....	11,640.94	1,551.46	396.35	4,872.19
Nueva Ecija.....	4,499.00	645.00	2,338.29	15,539.69
Nueva Vizcaya.....	20,282.52	1,252.00	.....	5,144.00
Occidental Negros.....	11,720.36	62.39	1,613.00	29,127.62
Oriental Negros.....	33,813.27	3,015.54	2,269.08	14,051.83
Pampanga.....	35,614.26	3,024.65	2,173.76	39,001.87
Rizal.....	5,679.48	142.40	10,540.07	49,178.98
Romblon.....	4,568.13	330.46	794.51	6,612.39
Surigao.....	14,501.47	1,043.40	3,261.35	8,159.94
Tarlac.....	33,498.91	19,245.96	2,815.82	18,360.39
Tayabas.....	7,189.23	149.55	31,713.04	84,458.81
Isabela.....	6,742.82	632.07	2,055.10	9,373.83
Mindoro.....	1,417.18	12.80	4,302.12	11,677.01
Bontoc.....	.....	.....	609.30	2,030.28
Total.....	483,273.67	56,654.82	148,214.98	985,759.75

Municipal expenditures for school purposes for the fiscal years 1903-1907—Con.

FISCAL YEAR 1905-6.

Division.	Salaries and wages.	Supplies, etc.	Construction and repairs.	Total.
Manila.....	P250,860.00	P23,218.00	P54,330.16	P328,408.16
Albay.....	32,781.55	1,101.93	7,217.60	41,101.08
Ambos Camarines.....	21,298.37	1,741.41	4,863.34	27,933.12
Antique.....	5,721.05	203.25	234.72	6,159.02
Bataan.....	5,412.47	148.61	4,292.16	9,853.24
Batangas.....	32,008.72	3,431.33	4,017.74	39,457.79
Bohol.....	13,692.65	1,432.31	1,604.74	16,729.70
Bulacan.....	.....	.....	.....	35,498.00
Cagayan.....	26,166.34	2,121.03	17,068.29	45,345.66
Capiz.....	12,416.82	293.44	1,253.82	13,964.08
Cavite.....	11,518.10	4,517.35	4,019.85	20,055.28
Cebu.....	25,866.33	4,180.66	13,365.39	43,412.38
Ilocos Norte.....	19,031.94	364.67	3,568.09	22,964.70
Ilocos Sur.....	34,798.37	1,334.31	11,062.81	47,185.49
Iloilo.....	61,774.96	4,626.60	25,273.60	91,675.25
La Laguna.....	36,896.68	644.70	3,665.83	41,207.11
Union.....	14,808.50	128.82	1,384.86	16,322.18
Leyte.....	26,769.26	1,572.08	3,617.20	31,958.49
Sorsogon and Masbate.....	23,746.18	1,814.12	2,819.33	28,379.63
Samar.....	9,851.13	832.50	7,368.00	18,051.63
Misamis.....	9,290.80	2,259.53	7,491.63	19,041.96
Nueva Ecija.....	14,666.27	453.64	6,607.05	21,726.96
Nueva Vizcaya.....	290.97	38.00	391.45	720.42
Occidental Negros.....	28,679.48	1,023.63	484.28	30,187.39
Oriental Negros.....	12,758.66	762.25	4,425.22	17,946.13
Pampanga.....	5,634.06	326.14	7,067.85	13,228.05
Pangasinan.....	46,456.28	7,322.37	13,156.79	66,935.44
Rizal.....	37,414.65	2,066.81	12,429.88	51,911.34
Romblon.....	4,574.10	241.06	105.08	4,920.24
Surigao.....	8,424.79	1,970.19	7,060.20	17,455.18
Tarlac.....	17,407.41	2,110.97	2,781.59	22,299.97
Tayabas.....	44,965.38	2,807.78	10,534.25	58,327.41
Zambales.....	7,808.07	234.47	2,796.82	10,834.46
Isabela.....	11,110.75	1,413.73	3,192.69	15,717.17
Mindoro.....	6,634.53	592.73	335.62	7,562.88
Bontoc.....	3,242.28	1,724.83	2,425.17	7,392.28
Palawan.....	1,278.00	.....	1,015.00	2,293.00
Total.....	926,470.79	79,066.20	253,368.20	1,254,423.19

FISCAL YEAR 1906-7.

Division.	Construction and repairs.	Equipments.	Salaries and wages.	Current expenses.	Total.	Grand total, 1903 to 1907.
Manila.....	P2,180.41	P4,667.79	P178,662.34	P79,903.61	P265,364.15	P1,216,965.03
Albay.....	10,000.00	965.00	34,583.00	4,945.00	50,223.00	122,643.19
Ambos Camarines.....	3,133.00	571.00	26,526.00	1,012.00	31,242.00	79,712.62
Antique.....	1,566.76	828.35	10,767.65	251.80	13,414.56	25,740.16
Bataan.....	2,001.46	.....	6,829.65	180.67	9,011.78	24,453.46
Batangas.....	3,061.94	1,130.97	37,614.46	3,980.27	45,787.64	143,030.78
Bohol.....	7,142.63	663.70	15,740.85	320.32	23,867.50	61,767.54
Bulacan.....	1,376.58	.....	37,244.92	4,806.97	43,227.47	106,340.49
Cagayan.....	6,326.91	.....	18,478.27	688.43	25,493.61	98,096.24
Capiz.....	2,860.00	500.00	17,600.00	1,600.00	22,960.00	51,851.61
Cavite.....	2,498.26	.....	22,133.97	2,011.91	26,644.14	83,935.45
Cebu.....	7,994.64	2,884.16	37,133.35	7,221.09	55,233.24	227,056.82
Ilocos Norte.....	16,731.00	.....	21,600.86	800.00	39,131.86	94,950.89
Ilocos Sur.....	10,688.36	852.35	33,178.79	911.84	46,131.34	151,324.32
Iloilo.....	3,281.00	1,740.40	47,416.00	4,408.00	56,845.40	224,440.88
La Laguna.....	4,022.35	70.05	34,350.17	3,633.91	42,076.48	156,649.46
Union.....	2,016.88	1,482.34	15,316.26	764.66	19,580.14	69,734.68
Leyte.....	4,616.75	215.35	35,537.48	516.97	40,887.55	124,165.83
Sorsogon and Masbate.....	1,136.00	10.00	26,500.00	2,100.00	29,746.00	62,997.82
Samar.....	2,327.54	1,802.10	15,154.59	582.49	19,866.72	37,918.35
Misamis.....	693.64	902.91	14,083.61	1,013.73	16,693.89	35,635.85
Nueva Ecija.....	4,773.41	161.20	19,746.78	823.73	25,605.12	70,904.56
Nueva Vizcaya.....	4,705.15	.....	.....	147.80	4,852.75	14,302.17
Occidental Negros.....	12,946.00	684.00	33,758.00	1,590.00	48,978.00	130,434.77
Oriental Negros.....	3,152.00	166.00	17,400.00	1,450.00	22,168.00	68,837.77
Pampanga.....	7,522.33	.....	50,075.21	1,803.76	59,401.40	143,580.68
Pangasinan.....	3,070.90	.....	57,388.35	3,885.00	64,344.25	171,567.04
Rizal.....	1,295.03	.....	33,993.09	4,233.30	39,421.42	156,278.58
Romblon.....	712.40	.....	6,641.05	10.78	7,264.23	34,276.38
Surigao.....	4,200.00	1,770.00	8,630.00	660.00	15,260.00	48,423.92
Tarlac.....	3,344.96	.....	20,543.02	1,433.96	25,321.94	82,745.19
Tayabas.....	36,703.85	1,223.77	43,518.92	3,676.94	85,123.48	260,841.04
Zambales.....	1,772.20	44.80	6,656.22	143.30	8,615.52	24,640.48
Isabela.....	1,782.66	1,258.81	11,428.85	1,522.57	15,992.89	41,083.94
Mindoro.....	713.91	9.00	7,758.66	.....	8,481.56	47,502.40
Bontoc.....	382.00	.....	3,806.00	75.00	4,263.00	13,694.56
Palawan.....	428.00	.....	1,512.91	7.11	1,960.02	4,243.02
Total.....	183,440.91	24,434.05	1,009,010.37	142,816.72	1,350,702.05	4,512,776.94

EXHIBIT 2.

Report covering expenditures, by provinces, for the fiscal years 1900 to 1907, inclusive, on account of salaries and wages.

GRAND TOTAL.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P 66,493.42				P 700.00		P 67,193.42
1901-2.....	1,799,551.06	P 795.00	P 4,737.72		65,580.94		1,870,664.72
1902-3.....	1,787,579.98	2,392.00	4,845.54		94,877.56	P 5,914.74	1,895,509.82
1903-4.....	1,757,495.48	21,010.80	77,183.86	P 569.00	120,962.74	15,845.72	1,993,067.60
1904-5.....	1,585,052.02	56,065.48	116,555.76	9,249.42	105,763.30	17,387.92	1,890,093.90
1905-6.....	1,753,298.52	74,359.10	161,511.54	18,726.36	118,970.72	21,231.88	2,148,098.12
1906-7.....	1,668,445.40	91,890.58	132,296.52	39,237.94	224,924.66	49,507.44	2,206,292.54
Total.....	10,417,915.88	246,422.96	497,130.94	67,782.72	731,779.92	109,887.70	12,070,920.12

PROVINCE OF ALBAY.

1900-1901.....	P 675.00						P 675.00
1901-2.....	36,505.54						36,505.54
1902-3.....	40,101.90				P 1,050.00		41,151.90
1903-4.....	33,700.92		P 1,780.00	P 420.00	3,000.00		38,900.92
1904-5.....	40,164.64	P 929.42	2,927.66	600.00	1,996.64		46,618.36
1905-6.....	31,496.52		4,690.16	180.00	2,320.18		38,676.86
1906-7.....	37,688.34	2,835.00	4,602.74	188.00	2,120.00		47,334.08
Total.....	220,222.86	3,764.42	14,000.56	1,388.00	10,486.92		249,862.66

PROVINCE OF AMBOS CAMARINES.

1900-1901.....	P 3,568.96						P 3,568.96
1901-2.....	71,552.94						71,552.94
1902-3.....	64,003.70				P 4,440.00	P 810.00	69,253.70
1903-4.....	66,117.52	P 165.00	P 1,565.00		4,449.64		72,297.36
1904-5.....	55,541.78	1,868.00	4,208.44	P 371.32	4,469.38		66,458.92
1905-6.....	53,308.34	20.00	10,958.58	354.00	4,855.00		69,492.92
1906-7.....	26,502.78	1,188.50	6,410.40	272.00	7,435.56	800.00	42,609.24
Total.....	340,593.02	3,241.50	23,142.42	997.32	25,649.78	1,610.00	395,234.04

PROVINCE OF ANTIQUE.

1900-1901.....	P 1,080.00						P 1,080.00
1901-2.....	20,407.12				P 3,180.38		23,587.50
1902-3.....	19,062.66				2,416.64		21,479.30
1903-4.....	11,512.36	P 216.64			1,666.64		13,395.64
1904-5.....	17,132.64		P 50.00				17,182.64
1905-6.....	16,337.14		80.00				16,417.14
1906-7.....	19,398.80		758.28	P 538.64			20,695.72
Total.....	104,950.72	216.64	888.28	538.64	7,263.66		113,857.94

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF BATAAN.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901	P 2,648.32						P 2,648.32
1901-2	30,966.86				P 1,353.22		32,320.08
1902-3	27,455.40				375.00		27,830.40
1903-4	17,633.74	P 150.00	P 385.98				18,169.72
1904-5	6,406.70	560.00	1,202.64				8,169.34
1905-6	11,175.48		1,456.30				12,631.78
1906-7	16,336.68		504.64	P 504.64	6,220.00	P 560.00	24,125.96
Total	112,623.18	710.00	3,549.56	504.64	7,948.22	560.00	125,895.00

PROVINCE OF BATANGAS.

1900-1901	P 3,626.10						P 3,626.10
1901-2	39,478.66				P 1,267.60		40,746.26
1902-3	49,250.84				3,545.66		52,796.50
1903-4	65,210.08		P 3,420.66		5,780.00		74,401.74
1904-5	51,185.86		4,092.38		6,688.88		61,967.12
1905-6	44,799.90	P 3,248.32	4,944.66	P 117.34	4,785.78	P 231.34	58,127.34
1906-7	29,206.52	3,248.32	3,467.38	480.00	8,000.00	1,400.00	45,804.22
Total	282,750.96	6,496.64	15,925.08	597.34	30,067.92	1,631.34	337,469.28

PROVINCE OF BENGUET.

1900-1901	P 565.00						P 565.00
1901-2	24,068.68				P 518.74		24,587.42
1902-3	21,684.46						21,684.46
1903-4	14,093.98	P 596.00					14,689.98
1904-5	7,762.90		P 172.00				7,934.90
1905-6	12,067.88	1,020.00	268.32				13,356.20
1906-7	4,580.00	3,655.00	302.00	P 346.16	6,400.00		15,283.16
Total	84,822.90	5,270.00	742.32	346.16	6,918.74		98,100.12

PROVINCE OF BOHOL.

1900-1901	P 1,095.00						P 1,095.00
1901-2	14,479.58				P 3,523.56		18,003.14
1902-3	19,292.50				956.34		20,248.84
1903-4	37,834.24		P 2,246.66		4,956.34	P 238.00	45,275.24
1904-5	40,434.90	P 3,165.50	3,063.66	P 137.00	2,920.00	642.00	50,363.06
1905-6	49,770.00	4,180.00	3,256.62	2,577.50	4,896.64	798.00	65,478.76
1906-7	42,243.38	1,495.00	3,026.30	2,752.00	7,833.32	1,440.00	58,790.00
Total	205,149.60	8,840.50	11,693.24	5,466.50	25,086.20	3,118.00	259,254.04

PROVINCE OF BULACAN.

1900-1901	P 3,403.62						P 3,403.62
1901-2	58,016.10				P 1,352.34		59,368.44
1902-3	61,743.66				1,500.00	P 430.00	63,673.66
1903-4	67,401.16	P 1,800.00	P 4,246.00		2,133.28	1,200.00	75,780.44
1904-5	55,158.34	715.00	6,093.66		2,933.26	713.32	65,613.58
1905-6	51,894.38	2,197.50	9,037.06		3,856.70	68.00	67,043.64
1906-7	46,261.90	1,166.08	9,474.96	P 68.32	7,866.68	2,464.00	67,301.94
Total	343,869.16	5,878.58	28,851.68	68.32	19,642.26	4,875.32	403,185.32

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF CAGAYAN.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P805.00	.....	.....	.....	.....	.....	P805.00
1901-2.....	42,294.44	.....	.....	.....	P4,177.40	.....	46,471.84
1902-3.....	43,720.10	.....	P300.00	.....	5,780.00	.....	49,800.10
1903-4.....	37,655.48	.....	850.00	.....	1,036.66	.....	39,542.14
1904-5.....	45,316.20	.....	1,938.00	.....	596.00	P688.34	48,537.54
1905-6.....	49,868.96	.....	2,213.98	.....	3,333.20	912.66	56,328.80
1906-7.....	43,295.12	.....	2,661.16	P2,006.32	7,435.56	2,014.64	57,411.80
Total.....	262,955.30	.....	7,963.14	2,006.32	22,357.82	3,615.64	298,897.22

PROVINCE OF CAPIZ.

1900-1901.....	P270.00	.....	.....	.....	.....	.....	P270.00
1901-2.....	28,861.00	.....	.....	.....	.....	.....	28,861.00
1902-3.....	28,899.92	.....	P186.00	.....	P1,750.00	P442.66	31,268.58
1903-4.....	33,367.98	.....	3,945.90	.....	2,750.00	503.06	40,466.94
1904-5.....	43,025.04	.....	4,176.60	P1,368.36	3,183.32	516.66	52,299.98
1905-6.....	44,908.40	P1,155.00	4,396.60	1,554.46	1,800.00	770.00	54,585.46
1906-7.....	89,873.28	2,035.00	2,415.98	2,971.32	7,533.32	1,540.00	106,368.90
Total.....	269,196.62	3,190.00	15,021.08	5,894.14	17,016.64	3,772.28	314,090.86

PROVINCE OF CAVITE.

1900-1901.....	P2,065.00	.....	.....	.....	.....	.....	P2,065.00
1901-2.....	76,371.26	.....	.....	.....	P1,267.60	.....	77,638.86
1902-3.....	61,170.50	.....	P924.00	.....	2,666.66	P336.66	65,097.82
1903-4.....	60,493.26	P866.66	3,282.32	.....	1,333.30	1,440.00	67,415.54
1904-5.....	54,390.62	1,350.00	5,739.10	P93.32	2,799.98	1,480.00	65,853.02
1905-6.....	42,521.78	3,247.30	7,562.30	.....	3,110.00	1,680.00	58,121.38
1906-7.....	109,928.32	2,722.76	8,071.46	297.32	6,637.80	2,000.00	129,657.66
Total.....	406,940.74	8,186.72	25,579.18	390.64	17,815.34	6,936.66	465,849.28

PROVINCE OF CEBU.

1900-1901.....	P2,156.00	.....	.....	.....	.....	.....	P2,156.00
1901-2.....	63,253.86	.....	.....	.....	P4,171.38	.....	67,425.24
1902-3.....	70,064.20	.....	.....	.....	3,904.92	.....	73,969.12
1903-4.....	72,130.06	P528.00	P2,416.68	.....	7,000.00	.....	82,074.74
1904-5.....	66,550.06	2,778.90	2,153.32	P602.64	7,809.98	.....	79,894.90
1905-6.....	65,776.70	1,483.98	2,382.52	3,776.48	6,938.00	.....	80,357.68
1906-7.....	74,647.20	4,046.64	1,508.30	6,181.60	12,929.08	P1,514.28	100,827.10
Total.....	414,568.08	8,837.52	8,460.82	10,560.72	42,753.36	1,514.28	486,694.78

PROVINCE OF ILOCOS NORTE.

1900-1901.....	P600.00	.....	.....	.....	.....	.....	P600.00
1901-2.....	34,434.70	.....	.....	.....	P1,928.72	.....	36,363.42
1902-3.....	27,703.34	.....	.....	.....	8,503.84	.....	36,206.68
1903-4.....	41,626.12	.....	P8,072.00	.....	9,216.66	.....	53,914.78
1904-5.....	39,547.94	.....	4,553.64	P164.00	7,461.12	.....	51,726.70
1905-6.....	36,322.34	P1,583.10	7,719.12	.....	3,950.00	.....	49,574.56
1906-7.....	22,519.04	1,811.10	6,010.54	.....	6,427.76	.....	36,768.44
Total.....	202,753.48	3,394.20	21,355.50	164.00	87,487.60	.....	265,154.58

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF ILOCOS SUR.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P3,630.10	.....	.....	.....	P3,482.24	.....	P3,630.10
1901-2.....	82,370.10	.....	.....	.....	4,562.50	.....	85,858.34
1902-3.....	97,459.94	.....	.....	.....	1,962.00	.....	102,022.44
1903-4.....	71,629.80	.....	P1,213.98	P16.90	5,439.36	.....	74,821.78
1904-5.....	77,727.80	P2,613.32	6,611.06	1,113.70	7,644.44	.....	93,505.24
1905-6.....	74,297.50	2,703.22	11,632.10	1,075.50	9,099.44	P1,279.02	98,631.88
1906-7.....	65,518.80	2,276.66	10,944.88	894.44	1,495.96	.....	80,200.18
Total.....	472,634.04	7,593.30	30,402.02	3,099.64	32,165.98	2,774.98	548,669.96

PROVINCE OF ILOILO.

1900-1901.....	P4,960.00	.....	.....	.....	P3,180.88	.....	P4,960.00
1901-2.....	98,497.14	.....	P91.16	.....	4,433.28	P1,250.00	91,768.68
1902-3.....	126,465.00	.....	.....	.....	5,000.00	3,920.28	132,148.28
1903-4.....	117,239.42	.....	4,087.32	.....	3,560.00	.....	130,247.02
1904-5.....	89,929.12	P3,322.64	6,666.26	P382.00	3,606.00	3,340.00	103,860.02
1905-6.....	81,692.66	5,102.74	7,673.24	96.00	4,000.00	4,720.00	101,504.64
1906-7.....	85,940.48	2,110.00	5,662.08	2,039.14	.....	.....	104,471.70
Total.....	594,723.82	10,535.38	24,180.06	2,517.14	20,213.66	16,790.28	668,960.34

PROVINCE OF ISABELA.

1900-1901.....	P451.00	.....	.....	.....	.....	.....	P451.00
1901-2.....	12,470.60	.....	.....	.....	P562.50	.....	12,470.60
1902-3.....	13,404.78	.....	.....	.....	2,250.00	.....	13,967.28
1903-4.....	12,225.30	.....	P300.00	.....	1,697.80	.....	14,775.30
1904-5.....	11,906.04	.....	550.00	.....	1,053.12	P330.00	14,143.54
1905-6.....	19,527.62	.....	696.00	.....	6,333.32	890.00	21,605.74
1906-7.....	17,599.82	.....	977.32	P141.32	.....	.....	25,921.78
Total.....	87,575.16	.....	2,522.32	141.32	11,896.44	1,210.00	103,335.24

PROVINCE OF LAGUNA.

1900-1901.....	P1,317.32	.....	.....	.....	P2,054.82	.....	P1,317.32
1901-2.....	43,498.26	.....	.....	.....	2,908.28	.....	45,553.08
1902-3.....	53,967.88	.....	.....	.....	3,600.00	P150.00	56,876.16
1903-4.....	66,511.04	.....	P2,860.00	.....	1,450.00	.....	73,121.04
1904-5.....	53,963.16	P895.00	5,512.62	P550.00	5,141.66	275.00	62,370.78
1905-6.....	37,509.86	1,120.00	5,280.80	150.00	9,000.00	1,800.00	49,457.22
1906-7.....	47,097.82	492.00	4,305.64	.....	.....	.....	62,095.46
Total.....	303,865.34	2,507.00	17,939.06	700.00	24,154.76	2,225.00	351,391.16

PROVINCE OF LEPANTO-BONTOC.

1900-1901.....	.....	.....	.....	.....	.....	.....	.....
1901-2.....	P4,634.20	.....	.....	.....	P1,100.90	.....	P5,735.10
1902-3.....	5,945.00	.....	.....	.....	400.00	.....	6,345.00
1903-4.....	6,018.12	P255.00	.....	.....	.....	.....	6,273.12
1904-5.....	6,962.30	732.00	.....	.....	.....	.....	7,694.30
1905-6.....	9,483.06	.....	P742.82	P27.50	.....	.....	10,253.38
1906-7.....	12,178.26	.....	419.66	230.30	.....	P150.00	12,978.22
Total.....	45,220.94	987.00	1,162.48	257.80	1,600.90	150.00	49,279.12

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF LEYTE.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P618.32						P618.32
1901-2.....	80,667.76		P1,340.00		P4,171.34		86,179.10
1902-3.....	60,393.36				2,600.00		62,993.36
1903-4.....	50,816.54			212.74	5,998.68		56,995.96
1904-5.....	56,953.18	P1,680.00	1,748.32		8,259.98		63,542.48
1905-6.....	59,746.38	2,342.20	1,318.66	P45.32	3,936.66		67,380.22
1906-7.....	45,475.70	1,267.50	2,683.30	286.66	1,991.08	P1,440.00	56,174.24
Total....	357,671.24	5,220.70	7,304.02	331.98	21,925.74	1,440.00	393,893.68

PROVINCE OF MANILA.

1900-1901.....	P6,668.04						P6,668.04
1901-2.....	158,881.62	P795.00	P3,008.56				162,685.18
1902-3.....	170,748.80		2,414.88				173,163.68
1903-4.....	280,244.46	1,882.00	3,442.98		P12,500.00		286,069.44
1904-5.....	156,193.52	8,585.16	4,724.34	P153.32	11,000.00		180,656.34
1905-6.....	270,555.98	8,823.58	5,660.44	607.98	10,650.00		296,387.98
1906-7.....	210,733.42	12,618.00	2,576.06	3,537.84	8,082.66		237,528.28
Total....	1,204,026.14	32,703.74	21,825.26	4,380.14	42,212.66		1,305,156.94

PROVINCE OF MINDORO.

1900-1901.....							
1901-2.....	P333.34				P526.26		P859.70
1902-3.....	660.00						660.00
1903-4.....	3,716.66	P1,396.60					5,113.26
1904-5.....	7,884.76	2,128.28	P249.34	P40.00			10,302.38
1905-6.....	11,949.96	805.00	416.66	651.98			13,823.60
1906-7.....	6,575.58	1,384.54	766.18	1,996.66	4,751.96	P579.12	16,064.04
Total....	31,120.30	5,714.42	1,432.18	2,688.64	5,278.32	579.12	46,812.98

PROVINCE OF MISAMIS.

1900-1901.....	P270.00						P270.00
1901-2.....	34,773.70						34,773.70
1902-3.....	43,801.20				P1,750.00		45,551.20
1903-4.....	11,668.48		P624.32	P45.00	2,500.00	P148.34	14,986.14
1904-5.....	12,165.14	P421.50	438.00	43.50			13,068.14
1905-6.....	27,841.02	1,635.00	508.64	1,439.00	466.66	442.66	32,332.92
1906-7.....	35,218.28	6,957.48	208.14	1,807.58	4,000.00	1,320.00	49,511.48
Total....	165,737.82	9,013.98	1,779.10	3,335.08	8,716.66	1,910.94	190,493.58

MORO PROVINCE.

1900-1901.....	P8,319.92						P8,319.92
1901-2.....	54,515.50				P4,256.60		58,772.10
1902-3.....	55,048.36				1,609.92		56,658.28
1903-4.....	7,834.36				800.00		8,634.36
1904-5.....							
1905-6.....							
1906-7.....							
Total....	125,718.14				6,666.52		132,384.66

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF OCCIDENTAL NEGROS.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P 72.74						P 72.74
1901-2.....	69,309.74				P 3,627.80		72,937.54
1902-3.....	66,034.06				8,362.50		73,396.56
1903-4.....	64,761.68	P 5,223.28	P 3,441.62		4,950.00	P 482.00	78,858.58
1904-5.....	63,793.34	6,220.00	3,708.00	P 277.50	4,500.00	670.00	79,168.84
1905-6.....	66,680.24	5,865.00	5,174.84	1,178.32	5,500.00	531.00	84,909.40
1906-7.....	55,123.84	1,400.00	4,329.98	764.44	8,574.80	1,962.64	72,155.70
Total.....	384,755.64	18,708.28	16,654.44	2,220.26	35,515.10	3,645.64	461,499.36

PROVINCE OF ORIENTAL NEGROS.

1900-1901.....							
1901-2.....	P 43,719.12						P 43,719.12
1902-3.....	42,430.32		P 321.00		P 2,000.00	P 140.00	44,891.32
1903-4.....	46,687.98	P 150.00	1,884.32		3,200.00	150.00	53,422.00
1904-5.....	27,982.76	3,057.00	3,562.98	P 119.00	791.10	1,100.00	36,612.84
1905-6.....	28,590.28	3,067.00	3,516.68		3,466.66	1,049.98	39,690.60
1906-7.....	27,688.90	2,810.00	2,839.98		7,165.24	1,868.00	42,372.12
Total.....	217,099.36	9,084.00	12,124.96	119.00	16,623.00	5,657.98	260,708.30

PROVINCE OF NUEVA ECIJA.

1900-1901.....							
1901-2.....	P 44,776.88				P 2,686.66		P 47,463.54
1902-3.....	47,094.20				4,000.00		51,094.20
1903-4.....	45,308.94		P 1,885.64		4,000.00	P 336.06	54,624.24
1904-5.....	44,366.16	P 1,149.16	2,305.28	P 634.00	4,000.00	710.00	53,254.60
1905-6.....	41,328.62		5,583.64	365.34	4,500.00	960.00	52,742.90
1906-7.....	35,455.30		3,734.88	609.32	4,000.00		43,799.50
Total.....	261,391.40	1,149.16	13,604.44	1,608.66	23,166.66	2,006.66	302,926.98

PROVINCE OF NUEVA VIZCAYA.

1900-1901.....							
1901-2.....	P 11,855.20						P 11,855.20
1902-3.....	8,760.66				P 750.00		9,510.66
1903-4.....	7,850.26		P 1,256.66		3,233.32		12,340.24
1904-5.....	12,781.02		1,953.98		1,891.46		16,626.44
1905-6.....	18,236.48	P 1,072.22	2,406.98		4,533.26	P 50.00	26,298.52
1906-7.....	12,479.74	1,479.98	2,448.98	P 32.40	6,635.52	1,000.00	24,076.62
Total.....	71,963.36	2,552.20	8,156.16	32.40	17,043.56	1,050.00	100,797.68

PROVINCE OF PALAWAN.

1900-1901.....							
1901-2.....	P 2,443.96						P 2,443.96
1902-3.....	4,042.66						4,042.66
1903-4.....	7,278.32						7,278.32
1904-5.....	6,083.98						6,083.98
1905-6.....	8,026.66						8,026.66
1906-7.....	10,841.02		P 618.00				11,459.02
Total.....	38,716.60		618.00				39,334.60

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF PAMPANGA.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Philippino regular.	Philippino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P4,360.00	.....	.....	.....	.....	.....	P4,360.00
1901-2.....	60,707.82	.....	.....	.....	P2,125.42	.....	62,833.24
1902-3.....	79,253.24	.....	.....	.....	3,453.32	.....	73,706.56
1903-4.....	67,917.98	.....	P5,710.00	.....	2,615.00	.....	76,242.98
1904-5.....	54,294.88	P1,858.00	2,969.90	P16.00	4,903.42	.....	64,072.20
1905-6.....	61,646.18	7,952.60	5,512.60	.....	1,660.66	P254.00	77,026.04
1906-7.....	62,044.16	6,393.70	4,061.92	272.00	9,064.44	3,120.00	84,976.28
Total	381,224.26	16,204.36	18,304.42	288.00	23,822.26	3,374.00	443,217.80

PROVINCE OF PANGASINAN.

1900-1901.....	P3,790.00	.....	.....	.....	.....	.....	P3,790.00
1901-2.....	63,441.76	.....	P300.00	.....	P1,762.26	.....	65,504.02
1902-3.....	60,110.58	P2,037.00	150.00	.....	3,888.88	P975.00	67,161.46
1903-4.....	81,658.36	325.00	3,877.98	.....	3,302.10	1,849.98	91,013.42
1904-5.....	68,106.68	5,923.50	6,785.98	.....	5,000.00	1,833.26	87,649.42
1905-6.....	75,549.02	8,476.90	9,664.28	.....	5,000.00	2,186.58	100,876.78
1906-7.....	80,537.60	5,958.10	9,506.10	P362.66	7,499.98	5,519.96	109,383.38
Total	433,194.00	22,720.50	30,283.34	362.66	26,453.20	12,364.78	525,378.48

PROVINCE OF RIZAL.

1900-1901.....	P2,598.66	.....	.....	.....	.....	.....	P2,598.66
1901-2.....	66,104.78	.....	.....	.....	P2,054.82	.....	71,159.60
1902-3.....	46,060.40	.....	.....	.....	833.36	.....	46,893.76
1903-4.....	34,417.00	P93.32	P3,420.34	.....	.....	P1,934.00	39,864.66
1904-5.....	38,237.08	240.00	6,430.96	.....	1,555.54	916.00	47,379.56
1905-6.....	34,365.74	350.00	5,821.64	.....	1,266.66	1,040.00	42,844.04
1906-7.....	22,752.12	4,103.00	6,279.48	P534.66	7,911.08	2,136.64	43,716.98
Total	247,535.78	4,786.32	21,952.44	534.66	13,621.46	6,026.64	294,457.30

PROVINCE OF ROMBLON.

1900-1901.....	P440.00	.....	.....	.....	P700.00	.....	P1,140.00
1901-2.....	54,826.36	.....	.....	.....	3,226.36	.....	58,052.72
1902-3.....	33,000.38	.....	.....	.....	2,600.00	P228.26	35,728.64
1903-4.....	28,276.74	P570.00	P987.98	.....	3,000.00	596.76	33,431.48
1904-5.....	20,632.10	665.80	1,372.22	P159.96	3,200.00	.....	26,030.06
1905-6.....	23,660.42	.....	1,717.32	.....	3,600.00	.....	28,977.74
1906-7.....	19,119.12	1,165.00	668.32	136.00	3,733.32	.....	24,821.76
Total	179,955.12	2,400.80	4,745.84	295.96	19,959.68	825.02	208,182.42

PROVINCE OF SAMAR.

1900-1901.....	P450.00	.....	.....	.....	.....	.....	P450.00
1901-2.....	12,255.26	.....	.....	.....	.....	.....	12,255.26
1902-3.....	23,120.52	.....	.....	.....	P1,200.00	.....	24,320.52
1903-4.....	26,634.10	.....	.....	.....	5,144.92	.....	31,779.02
1904-5.....	35,628.32	.....	P229.32	.....	4,723.26	P160.00	40,738.90
1905-6.....	39,725.30	P2,425.00	2,315.96	P462.64	1,531.70	610.00	46,870.60
1906-7.....	39,204.84	5,938.32	1,530.64	2,478.68	7,066.64	1,583.32	57,802.44
Total	177,016.34	8,363.32	4,075.92	2,941.32	19,466.52	2,353.32	214,216.74

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF BORSOGON.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....							
1901-2.....	P54,490.24				P526.32		P55,016.56
1902-3.....	40,436.06				1,150.00		41,586.06
1903-4.....	43,303.96	P450.00	P306.66		1,950.00		46,010.62
1904-5.....	42,524.06	3.32	669.32	P1,180.30		P58.34	44,435.24
1905-6.....	43,981.28	1,238.34	2,715.96	1,302.50	270.00	100.00	49,608.06
1906-7.....	43,476.58	3,599.16	1,632.66	2,220.30	4,499.96		55,628.66
Total.....	268,212.18	5,290.82	5,524.60	4,703.10	8,396.28	158.34	292,285.32

PROVINCE OF SURIGAO.

1900-1901.....	P270.00						P270.00
1901-2.....	16,713.80						16,713.80
1902-3.....	22,374.42				P2,000.00	P186.66	24,561.08
1903-4.....	16,364.96		P1,906.64		3,000.00	400.00	21,671.60
1904-5.....	24,352.00		2,989.32	P488.00	3,150.00	850.00	31,829.32
1905-6.....	32,401.88		3,502.00	1,241.00	3,133.32	960.00	41,238.20
1906-7.....	33,139.36		1,806.92	1,486.74	6,635.52	1,920.00	44,988.54
Total.....	145,616.42		10,204.88	3,215.74	17,918.84	4,316.66	181,272.54

PROVINCE OF TARLAC.

1900-1901.....	P650.00						P650.00
1901-2.....	44,678.18				P1,762.26		46,440.44
1902-3.....	40,560.00		P99.00		2,115.56	P700.00	43,474.56
1903-4.....	35,471.46	P1,436.50	2,801.86		1,041.00	1,200.00	41,950.82
1904-5.....	42,430.82	1,635.98	3,934.00	P328.00	1,233.30	2,330.00	51,962.10
1905-6.....	51,484.66		4,404.40	896.00	3,494.36	1,836.32	62,114.74
1906-7.....	15,472.00	1,585.00	1,109.50	1,226.82	3,600.00	1,158.88	24,152.20
Total.....	230,747.12	4,657.48	12,348.76	2,449.82	13,346.48	7,215.20	270,764.86

PROVINCE OF TAYABAS.

1900-1901.....	P3,499.32						P3,499.32
1901-2.....	73,604.30				P1,798.96		75,398.26
1902-3.....	56,766.82		P64.00		2,933.34		59,764.16
1903-4.....	49,910.76	P900.00	4,058.66	P88.00	4,000.00		58,967.42
1904-5.....	47,306.38	3,720.00	4,310.00	265.50	3,437.50		59,039.38
1905-6.....	55,054.60	2,484.00	6,775.64		4,633.30		68,947.54
1906-7.....	52,930.84	4,818.74	6,621.30	697.00	4,455.12		68,723.00
Total.....	339,073.02	11,122.74	21,829.60	1,060.50	21,263.22		394,329.06

PROVINCE OF UNION.

1900-1901.....	P820.00						P820.00
1901-2.....	29,980.08				P2,753.24		32,733.32
1902-3.....	34,723.34				3,420.00	P240.00	38,383.34
1903-4.....	30,684.22	P2,390.80	P2,313.00		3,625.00	630.00	39,643.02
1904-5.....	36,123.74		3,848.20	P162.00	4,583.32	660.00	45,377.26
1905-6.....	38,200.36	760.00	4,366.80	538.50	3,642.76	830.00	48,338.42
1906-7.....	38,180.30	1,290.00	3,614.84	377.66	6,435.52	1,680.00	51,578.32
Total.....	208,712.04	4,440.80	14,142.84	1,078.16	24,459.84	4,040.00	256,873.68

Report covering expenditures, etc., on account of salaries and wages—Continued.

PROVINCE OF ZAMBALES.

Fiscal year.	Teaching force.				Provincial administrative force.		Total.
	American regular.	American temporary.	Filipino regular.	Filipino temporary.	Division superintendent.	Regular clerks.	
1900-1901.....	P 750.00						P 750.00
1901-2.....	36,695.82				P 1,762.26		38,457.88
1902-3.....	30,764.82		P 386.66		555.56	P 175.50	31,882.54
1903-4.....	31,226.68	P 1,140.00	3,479.96			666.64	36,513.28
1904-5.....	24,108.06	700.00	4,494.26			510.00	29,812.32
1905-6.....	31,556.64		5,028.64		600.00	697.32	37,882.60
1906-7.....	28,288.16		3,481.62	P 500.00	3,600.00	1,440.00	37,309.78
Total.....	183,389.98	1,840.00	16,871.14	500.00	6,517.82	3,499.46	212,608.40

General office.

Fiscal years.	Directors.	American clerks.	Filipino clerks.	Total.
1900-1901.....				
1901-2.....	P 12,720.00	P 26,107.80	P 305.00	P 39,132.80
1902-3.....	16,440.00	39,716.66	665.00	56,821.66
1903-4.....	19,920.00	40,500.00	3,694.02	64,114.02
1904-5.....	21,216.56	51,000.00	7,363.98	79,580.54
1905-6.....	22,672.24	63,557.34	15,313.14	101,642.72
1906-7.....				
Total.....	92,968.80	220,881.90	27,341.14	341,191.84

EXHIBIT 3.

Statement showing the money value of schoolbooks and supplies furnished during each fiscal year to each of the provinces of the Philippine Islands, from 1901 to 1907, inclusive.

Province and school.	1900-1901.	1901-2.	1902-3.	1903-4.
Albay.....	P2,543.67	P5,951.81	P6,595.55	P6,065.43
Ambos Camarines.....	3,671.86	9,618.00	12,847.40	12,014.26
Antique.....	1,350.12	1,128.67	5,264.39	3,399.47
Bataan.....	4,696.16	3,111.61	4,371.14	341.74
Batangas.....	2,184.70	7,261.61	15,810.59	18,844.58
Benguet.....	735.45	1,697.78	1,055.12	1,662.62
Bohol.....	1,143.55	4,928.86	23,608.27	9,921.71
Bulacan.....	7,496.44	11,099.73	15,182.29	16,958.70
Cagayan.....	4,220.07	12,271.33	10,905.42	7,262.43
Capiz.....	888.58	6,668.41	7,615.16	9,106.57
Cavite.....	3,827.33	10,494.66	11,227.49	10,509.31
Cebu.....	3,328.49	20,351.11	24,167.01	9,662.21
Ilocos Sur.....	7,407.57	18,989.40	25,303.97	29,775.96
Ilocos Norte.....	951.54	9,067.20	15,893.27	16,729.14
Iloilo.....	10,376.05	14,786.73	30,956.68	16,341.49
Isabela.....	81.95	92.79	.....	1.23
La Laguna.....	2,355.42	8,633.11	16,551.21	11,728.62
Lepanto-Bontoc.....	193.18	964.51	423.80	1,069.01
Leyte.....	11,124.80	12,752.92	16,939.84	11,524.84
Manila.....	36,367.83	19,873.39	42,718.38	56,729.49
Mindoro.....	32.21	659.56	3,932.67	1,491.07
Misamis.....	895.77	5,391.24	7,276.57	314.32
Moro Province.....	14,844.05	14,288.59	4,235.66	4,167.16
Negros Occidental.....	15,650.12	14,363.77	20,407.06	12,640.99
Negros Oriental.....	142.41	3,682.58	8,890.19	5,198.60
Nueva Ecija.....	2,542.06	5,497.35	8,211.78	4,420.53
Nueva Vizcaya.....	245.84	2,075.09	2,299.93	2,503.46
Palawan.....	17.44	2,434.32	4,630.00	1,574.44
Pampanga.....	6,584.37	18,782.32	14,900.42	8,716.09
Pangasinan.....	8,716.40	14,608.94	16,468.61	21,138.17
Rizal.....	4,073.30	7,881.27	13,939.82	14,432.95
Romblon.....	2,133.49	6,140.42	5,407.34	6,774.01
Samar.....	394.76	1,180.53	3,168.10	5,167.97
Sorsogon.....	7,750.52	8,332.49	14,299.04	22,784.53
Surigao.....	288.46	2,422.30	6,149.80	4,068.15
Tarlac.....	4,016.76	4,559.32	5,095.23	7,070.56
Tayabas.....	4,167.71	8,727.28	19,556.28	12,170.54
Union.....	2,381.51	6,647.32	8,008.72	9,522.28
Zambales.....	4,074.57	4,107.90	6,661.97	13,899.18
Nautical School.....	.....	1,329.60	1,134.79	1,535.06
Normal School.....	990.17	2,140.67	22,661.72	4,550.71
Trade School.....	.....	2,088.39	8,722.68	10,293.18
Total.....	184,889.65	319,263.88	403,567.36	424,683.30

Statement showing the money value of schoolbooks and supplies furnished during each fiscal year to each of the provinces of the Philippine Islands, etc.—Continued.

Province and school.	1904-5.	1905-6.	1906-7.	Total, 1900-1907.
Albay.....	P13,262.35	P10,336.61	P7,310.28	P32,045.70
Ambos Camarines.....	9,627.43	9,278.75	6,906.70	63,964.40
Antique.....	1,211.84	1,384.82	7,125.55	20,912.86
Bataan.....	2,268.11	2,860.14	3,035.77	20,686.67
Batangas.....	13,388.27	11,144.47	9,562.94	78,197.16
Benguet.....	2,573.05	2,631.06	2,779.41	13,034.52
Bohol.....	12,821.19	20,183.56	5,396.77	78,003.91
Bulacan.....	12,978.67	17,111.88	11,797.05	92,626.76
Cagayan.....	17,119.82	13,154.61	8,725.91	73,659.29
Capiz.....	11,087.82	8,693.50	11,510.05	55,530.09
Cavite.....	15,538.06	9,195.91	9,763.97	70,546.63
Cebu.....	20,159.79	22,860.83	13,466.48	113,995.92
Ilocos Sur.....	23,101.57	11,628.95	17,584.83	133,792.27
Ilocos Norte.....	10,040.29	6,396.30	13,475.91	72,603.65
Iloilo.....	26,914.22	30,086.67	28,131.66	157,595.50
Isabela.....	5,316.43	4,730.20	4,806.81	14,989.50
La Laguna.....	15,876.64	5,607.03	9,523.20	70,275.23
Lepanto-Bontoc.....	1,092.27	2,614.89	2,725.03	9,102.69
Leyte.....	7,654.38	18,157.92	11,505.00	89,969.70
Manila.....	37,649.30	26,247.54	15,510.85	235,096.78
Mindoro.....	6,395.91	5,272.01	5,664.89	23,498.32
Misamis.....	6,192.82	15,014.10	4,067.56	39,172.88
Moro Province.....	2,843.01	1,619.33	.....	41,997.80
Negros Occidental.....	9,575.30	17,333.15	15,411.32	105,381.71
Negros Oriental.....	11,881.07	6,060.85	8,553.19	44,398.89
Nueva Ecija.....	13,738.86	10,136.29	17,320.02	61,866.89
Nueva Vizcaya.....	1,756.84	4,602.59	5,073.02	18,557.37
Palawan.....	441.39	2,245.90	6,562.74	18,206.23
Pampanga.....	15,498.53	11,135.01	10,180.96	94,798.20
Pangasinan.....	23,117.93	18,333.85	22,528.61	124,912.51
Rizal.....	29,966.75	13,311.03	9,144.94	92,740.06
Romblon.....	5,434.48	6,456.58	2,005.84	36,352.16
Samar.....	8,908.64	13,966.03	12,158.22	44,944.19
Sorsogon.....	11,428.31	22,297.86	11,614.19	96,515.94
Surigao.....	10,562.57	10,310.96	4,531.45	38,333.69
Tarlac.....	14,343.54	13,898.40	8,271.38	57,555.19
Tayabas.....	8,653.18	11,352.10	12,845.73	77,482.82
Union.....	17,230.85	3,661.33	4,816.23	52,108.24
Zambales.....	6,670.16	2,189.23	4,860.75	42,483.76
Nautical School.....	5,029.35	165.76	.....	9,194.58
Normal School.....	8,653.99	16,549.01	5,037.34	60,583.61
Trade School.....	19,494.88	13,311.76	10,117.66	64,028.55
Total.....	497,429.56	453,518.77	390,430.21	2,763,782.82

APPENDIX A.

REPORT OF THE DIRECTOR OF EDUCATION.

DEPARTMENT OF PUBLIC INSTRUCTION,
BUREAU OF EDUCATION,
Manila, August 10, 1907.

SIR: I have the honor to submit herewith the Seventh Annual Report of the Director of Education. The school statistics given in this report cover the school year ended March 30, 1907. The financial statistics cover the fiscal year ended June 30, 1907.

LEGISLATION AFFECTING THE BUREAU.

The legislation of the past year has effected no radical change in the organization of the bureau, though minor changes have been brought about by various enactments of the Commission. By act No. 1541 the division of ethnology, which by the reorganization act was made a division under the bureau of education, was transferred to the bureau of science. This division will soon move into new quarters, thus making available in the education building some much needed additional room for the American Circulating Library.

Act No. 1539 authorizes the director of education to change, increase, or decrease, with the approval of the secretary of public instruction, the established school divisions whenever in his judgment the public interests so require. This will enable the director to meet promptly the rapidly increasing educational needs of the archipelago, and to avoid any loss of efficiency due to too great pressure of work upon any division.

Act No. 1545, amendatory of act No. 1401, reorganized the provincial boards by making other provision for the third member of the board, and relieves the division superintendent of his membership thereon. This change relieves the superintendents of a large amount of work having but little direct relationship to their schools, and enables them to devote their time altogether to the educational interests of their respective divisions. The chief advantage accruing to the educational interests by this change is the entire freedom from politics or political questions which it gives the division superintendent. The educational interests of these islands require an absolute separation of the schools from party politics.

In addition to the government scholarships authorized by act No. 854, the Commission by act No. 1632 provided for one free scholarship in the Philippine Medical School for each province in the archipelago. These scholarships were awarded on the basis of an examination equal to that required for graduation from the secondary courses. This examination was held under the general supervision of the director of education and the immediate control of the division superintendents on June 1, 1907, in every province of the archipelago. Of the entire number who entered the examination, but fifteen continued until its close and submitted the required number of papers for ratings. Of this number but two, both graduates of the Philippine Normal School, secured the rating required for certification by the director to the board of control of the Philippine Medical School. The two successful candidates were Isabelo Concepción, of Manila, and Manuel Ramirez, of Bulacan.

The Commission also, by resolution, established ten free scholarships in the preparatory nurses' training course given by the Philippine Normal School. These scholarships are worth ₱240 per annum each and have been awarded to ten of the young women graduates of the intermediate course who qualified therefor in an examination prescribed by the secretary of public instruction. The prescribed examination was given after the opening of the schools in June in each of the provinces having intermediate graduates, and the scholarships were awarded to one eligible from each of the following provinces: Albay, Batangas, Ambos Camarines, Capiz, Cebu, Leyte, Manila, Ilocos Sur, Nueva Ecija, Zambales.

Special provision has been made for the provincial schools of certain provinces by legislation cancelling provincial indebtednesses to the insular government upon the condition that certain sums are made available locally for provincial school purposes.

By acts Nos. 1560, 1601, 1603, and 1622 the following special provincial school funds have been created:

Cebu.....	₱42,500.00
Bataan.....	6,000.00
La Union.....	50,000.00
Nueva Ecija.....	20,000.00
Sorsogon.....	20,000.00
Capiz.....	55,000.00
Batangas.....	51,664.47
Iloilo.....	50,000.00
Romblon.....	6,000.00

A total of..... 301,164.47

Sorsogon, by act No. 1534, received, in addition to the ₱20,000 provided by act No. 1603, a loan of ₱20,000 for the completion of the provincial high school. Further provision, especially for the construction of school buildings, was made by the appropriation in act No. 1580 of ₱300,000, ₱50,000 of which is to be expended in the city of Manila, leaving ₱250,000 available for construction work in the provinces. To this amount the city has added an equal sum, thus making available ₱100,000 for the construction of a school building.

At the close of the fiscal year ₱238,500 of the remaining ₱250,000 appropriated had been allotted to 21 provinces upon the condition that ₱161,500 in addition should be provided locally for the construction of the buildings for which this special aid was given, thus making a total construction fund, including Manila, of ₱500,000. These allotments provide ₱50,000 for the construction of provincial high school buildings, ₱91,100 for schools of arts and trades, ₱49,500 for intermediate schools, ₱11,000 for agricultural schools, ₱5,000 for dormitories, ₱3,000 for domestic-science buildings, ₱6,000 for a school of pottery, and ₱15,000 for a school of fisheries. Work has begun or advertisement for bids is being made on thirteen of the projects receiving special aid from these funds.

By act No. 1518 the Arts and Trades School, which existed under the Spanish sovereignty in the municipality of Bacolor, Province of Pampanga, was reestablished as a provincial school known as the Provincial Arts and Trades School of Pampanga. The old Arts and Trades School building was repaired at a total cost of ₱12,416, ₱5,000 of which were allotted for this purpose from funds appropriated by act No. 1275, the remaining ₱7,416 being raised locally by the people. Bacolor now has one of the handsomest trade-school buildings in the archipelago. Its value is estimated at not less than ₱80,000.

RECEIPTS AND EXPENDITURES FOR EDUCATION.

INSULAR RECEIPTS.

There was appropriated for the general expenses of the bureau of education for the fiscal year 1907 the sum of ₱3,000,000 (act No. 1527). To this amount was added later by act No. 1660 an appropriation of ₱182,790. This later appropriation was made to provide ₱69,690 with which to pay the salaries of additional insular teachers authorized by act No. 1527 and to meet certain expenses to the amount of ₱113,100, which by act No. 1509 became a proper charge against the bureau of education instead of, as formerly, against the insular salary and expense fund, thus making the total appropriation for the year ₱3,182,790. To this should be added the sum of ₱12,098.35 realized during the year from the sale of books, and ₱3,603.03 appearing to the credit of the bureau as miscellaneous refunds, making the gross amount available for the year ₱3,198,491.38. The expenditures for the year were distributed as follows:

INSULAR EXPENDITURES.

Office of the director.....	₱90,918.91
Salaries of division superintendents.....	134,521.04
Salaries of clerks to division superintendents.....	40,113.19
Salaries of American teachers.....	1,783,401.28
Salaries of Filipino insular teachers.....	174,210.51
Salaries of special teachers.....	4,342.12
Wages of night-school teachers.....	633.00
Salaries in division of ethnology.....	9,980.00
Salaries in American Circulating Library.....	10,316.43
Wages of other employees of the bureau.....	13,168.40
Half salary (act No. 1509).....	17,250.17

Travel expenses, general office.....	₱3,431.57
Travel, division superintendents.....	28,526.43
Travel, supervising teachers.....	42,416.76
Travel, other teachers.....	16,903.08
Travel, division of ethnology (including funds transferred to bureau of science).....	11,326.12
Travel, American Library.....	20.40
Purchase of school books and supplies, including equipment, machinery and tools for industrial departments of intermediate and high schools, furniture, etc.....	412,899.11
Transportation of supplies.....	10,263.78
Printing and binding.....	13,399.60
Postage.....	9,876.55
Cablegrams.....	569.99
Rental of buildings.....	6,610.00
Travel expenses to Philippine Islands (act No. 1509).....	70,346.36
Travel expenses from Philippine Islands (act No. 1509).....	12,730.00
States scholarships for Filipino students.....	184,583.52
Additional items charged against the bureau on the auditor's books.....	2,929.80
Miscellaneous.....	6,852.12
Total.....	3,112,540.24

Leaving an apparent balance on hand at the close of the fiscal year of ₱85,951.14. This apparent balance is offset by the following outstanding liabilities at the close of the fiscal year:

Salaries of temporary teachers for June and preceding months (estimated).....	₱15,000.00
Traveling expense vouchers received, but not paid June 30.....	4,345.00
Transportation of school supplies, vouchers received June 30, but not paid.....	2,414.00
Vacation salary to be refunded after completion of vacation work (estimated).....	20,000.00
Other vouchers received, but not paid.....	1,308.00
Traveling expenses not presented (estimated).....	4,000.00
Transportation bills not presented (estimated).....	1,000.00
Salaries of special teachers (service report delayed, amount estimated).....	1,000.00

Outstanding liabilities.

Official postage of division superintendents, vouchers not received (estimated).....	₱1,000.00
Repairs and increase in plant for Philippine School of Arts and Trades.....	9,763.71
Honoraria due instructors vacation assembly.....	1,000.00
Per diem due superintendent Nautical School.....	1,490.00
Unpaid vouchers for supplies, books, machinery, etc., purchased during the year.....	20,102.86
Total.....	82,423.57

Leaving a net credit balance of ₱3,527.57.

PROVINCIAL EXPENDITURES FOR THE SUPPORT OF SECONDARY INSTRUCTION.

For construction and repairs.....	₱264,657.66
For equipment.....	7,464.86
For salaries and wages.....	7,777.78
For current expenses.....	27,880.56
Total.....	307,780.86

Of the amount expended by provinces for the construction and repair of provincial school buildings, approximately ₱125,800 came from insular funds appropriated by acts Nos. 1275 and 1580, which were allotted to them in each case for the construction of certain specified buildings by the honorable the secretary of public instruction. The actual expenditure, therefore, from purely provincial funds was approxi-

mately but ₱138,857.66. A considerable part of the large amount expended for "current expenses" was for the payment of rental of buildings occupied by provincial schools in the provinces having no buildings of their own. The expenditure by provinces is shown in Table XIII.^a

MUNICIPAL RECEIPTS AND EXPENDITURES.

In no year of the bureau's history has the necessity for rigid economy in municipal school funds and careful management of the same been more imperative than during the past year. By reason of the suspension of the land tax and the reimbursement to municipalities of but 50 per cent thereof by the government, the local school funds were greatly depleted and in many cases the schools' continued existence was dependent upon the municipal councils appropriating from the general funds the amounts required for their maintenance. In the great majority of cases the councils responded generously to this need so that, although crippled, the schools were enabled to continue in session. This action of the councils, however, usually involved the postponement of greatly needed public improvements.

The total receipts of municipal school funds during the year amounted to ₱2,250,743.60; the total expenditures to ₱1,359,702.05, leaving a total balance of municipal funds on hand at the close of the year of ₱891,041.55.

TOTAL RECEIPTS AND EXPENDITURES FOR EDUCATION.

The total insular, provincial, and municipal receipts for educational purposes during the year amounted to ₱5,757,014.84. The total expenditures were ₱4,862,445.72.

VOLUNTARY CONTRIBUTIONS.

Voluntary contributions are not included in the above figures. Complete reports on voluntary contributions for the year have not been received from all provinces. So far as they have been received, however, they amount to a total of ₱137,104.70, distributed as follows: In money, ₱18,067.26; in labor, land, and materials, ₱119,037.44. Fully nine-tenths of these contributions were given for the construction of school buildings. The remainder was contributed for the payment of teachers' salaries in municipalities which were unable to maintain them from public funds.

ANNUAL EXPENSE PER CAPITA AND PER PUPIL BY COURSES.

The annual expenditures for the year, including the extraordinary expenses incurred by reason of the construction and repair of buildings, but exclusive of expenses on account of the division of ethnology, the American Circulating Library, and government students in the United States, represent a per capita expense for the entire population of ₱0.616 and a gross per capita cost for the entire school population of ₱3.08. Based on the total annual enrollment, the gross cost per pupil was ₱9.67, upon the average monthly enrollment it was ₱12.38, and upon the average daily attendance ₱17.27. The annual cost per pupil enrolled in the various courses is (based on the average monthly enrollment) as follows:

Primary course:	
Instruction.....	₱7.20
Texts, supplies, etc.....	1.17
Administration.....	1.00
Total.....	9.37
Intermediate course:	
Instruction.....	69.28
Texts, supplies, etc.....	2.28
Administration.....	1.00
Total.....	72.64
Secondary course:	
Instruction.....	271.83
Texts, supplies, etc.....	3.39
Administration.....	1.00
Total.....	276.22

^a Table XIII is on file in the Bureau of Insular Affairs, War Department.

The striking increase in cost of intermediate over primary instruction and of secondary instruction over intermediate is due to two factors: First, to the decrease (45 per cent) in the average enrollment per teacher in the intermediate grades as compared with that of the primary grades, and the decrease (59 per cent) in the enrollment per teacher in the secondary course as compared with that of the intermediate grades; second, to the following differences in the percentages of American, Filipino insular, and municipal teachers working in the primary, intermediate, and secondary schools, respectively:

Primary: American, 6 per cent; Filipino insular, 4 per cent; municipal, 90 per cent.
Intermediate: American, 78 per cent; Filipino insular, 17 per cent; municipal, 5 per cent.
Secondary: American, 68 per cent; Filipino insular, 32 per cent; municipal, 0 per cent.

BOOKS AND OTHER SCHOOL SUPPLIES.

The bureau of education now has in the hands of superintendents, teachers, and pupils, books and supplies to the value of approximately ₱2,000,000. This property has been distributed through division superintendents and teachers to no less than 400,000 pupils studying in the 3,500 schools which are located in more than 600 municipalities in the 40 school divisions. The proper administration of this large amount of property necessitated the adoption of a rigid system of accounting and the promulgation of certain rules as to requisitions, receipts, and expenditures for the guidance of superintendents and teachers. These rules, as prescribed by the director, require division superintendents at the end of the school year to make a complete inventory of all serviceable supplies in their several divisions. This inventory is carefully reviewed in the general office, compared with that of the preceding year, and checked against it and all additional supplies received by the division during the year for which the new inventory is submitted. The differences between the inventory submitted and the preceding one, plus all receipts during the year, should represent the normal expenditure of books and supplies by reason of ordinary wear and tear. Should these differences appear unduly large an explanation thereof is required from the division superintendent, and his responsibility therefor ceases only when the explanation submitted shows beyond question that the unusually large expenditure was due to no fault or carelessness on his part.

The division superintendent is required to hold every teacher strictly accountable for each article issued to him during the year. If any article is not on hand when the inventory is taken, it must either be paid for or its expenditure fully covered by explicit official statement from the teacher.

Shortly after the close of the school year and after his annual inventory has been submitted, the division superintendent files with the director his requisition for the additional supplies needed for the coming year. This requisition is checked against his annual inventory and is approved when the sum of the requisition and the inventory equals the number of pupils it is estimated his division will have during the new school year. This estimate is based upon the number of pupils in each grade for the past year, plus the normal ratio of annual increase as determined by the increase in previous years and any extraordinary expansion of the work which is planned by reason of the opening of new schools. Upon the basis of these yearly requisitions from the division superintendents and the known percentage of loss through wear and tear, the director is able to determine the number of books and the amount of other school supplies that should be purchased annually to adequately meet the needs of the schools.

The average annual cost per pupil in each grade for books and supplies furnished by the government is as follows:

Grade I.....	₱0.3424
Grade II.....	.9557
Grade III.....	1.6578
Grade IV.....	1.8229
Grade V.....	2.1100
Grade VI.....	2.7040
First year secondary.....	3.1143
Second year secondary.....	3.0808
Third year secondary.....	3.4424
Fourth year secondary.....	3.2950

The average cost per pupil is, in the—

Primary course.....	1.17
Intermediate course.....	2.38
Secondary course.....	3.39

and the average cost per pupil in school is ₱1.22. This represents a total annual expenditure for expendable books and supplies of about ₱320,000.

INSTRUCTION GIVEN DURING THE YEAR

The total enrollment in the public schools exclusive of the Moro Province for the past year was 479,978. The average total enrollment by months was 346,245, of whom 214,960 (62 per cent) were boys and 131,285 (38 per cent) girls. The average number belonging was 316,477 and the average attendance 269,006 pupils, making the average percentage of attendance 85. The highest percentage of attendance, 94, was secured by Manila, Union, Tarlac, and Zambales. The lowest, 78 and 79, were found in the provinces of Antique and Rizal, respectively, the general average being, as stated above, 85.

The total number of public primary schools in operation during the school year 1906-7 was 3,435, an increase of 327 over the number conducted during the previous year. To this number should be added 55 primary schools in the Moro Province, making a grand total of 3,490. The average total enrollment by months in the primary schools was 332,634. This number is 32,703 less than the total number reported for March of the preceding year. It should be noted, however, that this report for March of the preceding year is for a single month and that one of the best of the year, and does not represent the yearly average. If the average had been shown it would doubtless have been approximately the same as that for the current year, there having been no notable change in the number of primary pupils during the school year 1906-7. It may be remarked here that further increase in numbers is impossible under present conditions, owing to the facts that municipalities are not able with their present limited school funds to employ a larger number of teachers and that the teachers in these grades have already as large a number of pupils as they can successfully manage.

The number of schools giving intermediate instruction during the past year was 162, an increase of 70 over the school year 1905-6. The average total enrollment by months in the intermediate schools was 12,687, an increase of 3,567 pupils over the number enrolled in the intermediate schools in March of the preceding school year. Of those enrolled 9,716 (76.5 per cent) were boys, and 2,971 (23.5 per cent) girls. The percentage of attendance in these schools throughout the year was 94.

Secondary instruction was given during the past year in 35 provincial schools, an increase of 18 over the preceding year. The average total enrollment by months in secondary classes was 924, an increase of 616 over the preceding year. Of these 739 (80 per cent) were boys and 185 (20 per cent) girls. A comparison of these various percentages reveals the fact that the girls drop out of school earlier than the boys. The girls are, however, quite as strong as the boys in their class work throughout the primary, intermediate, and secondary courses.

INDUSTRIAL INSTRUCTION.

Special industrial instruction was given during the year in the following subjects: Hat, mat, and basket making; cloth weaving, including the making of blankets, towels, and "gee-strings;" tailoring; the making of native silk fans, screens, portières, picture frames, and toys; carpentry work, including furniture, chair, and cabinet making, bamboo and bejuco work, and wood carving; rope, twine, and fish-net making; agriculture and gardening; brick, cement working, and pottery making; blacksmithing, iron working; domestic science, including sewing, cooking, and general housekeeping and nursing.

TEACHING FORCE.

The appropriation bill for the fiscal year 1907 (act No. 1527) authorized 820 positions for American teachers, but did not provide sufficient funds for this number. The average number employed during the school year was 727. They were assigned as follows: Three hundred as supervising teachers, 70 as teachers in secondary schools (exclusive of the insular schools), 293 in the intermediate schools, 29 in primary schools, and 35 in the Philippine Normal School and the Philippine School of Arts and Trades. Of the 746 American teachers in the bureau on March 31, 522 were men and 224 women. Of these, 16 men and 50 women were temporary teachers.

The total number of insular Filipino teachers authorized by the appropriation bill was 394, while the maximum number employed was 485. This excess over the number allowed was made possible by "splitting" a certain number of the higher-paid positions and employing temporary Filipino insular teachers in lieu thereof. One hundred and sixty-one of the teachers were employed on temporary appointment. The average number of insular Filipino teachers employed during the year was 332.

They were assigned to various duties as follows: Thirty-four to secondary schools as special instructors, generally of Spanish; 64 to intermediate schools, and 234 to primary schools as principals or class-room instructors.

Of the 5,656 municipal teachers employed during the year, 3,948 were men and 1,708 women; 2,025 had received certificates of graduation or diplomas from schools of the islands. Classified by attainments, about 80 per cent of these teachers are to be found in the intermediate grades; nearly 20 per cent are still in the primary grades; of these, however, approximately 80 per cent are in the last year of the primary course. Classified by ability but 10 per cent are qualified to give instruction in the intermediate grades; of these 86 per cent are qualified to give instruction in the first year of the intermediate course, 11 per cent in the second year of the intermediate course, and but 3 per cent in the last year of the course. Rated as to their executive ability, 4,619 are available for class-room instruction only, 941 for principalships of primary schools, and 96 for assignment as assistant supervisors. The average salary paid by municipalities to their teachers during the year was ₱17.53, while that paid by the bureau to insular teachers was ₱46.10. The average age of the municipal teacher was 20.6 years and his average service in the public schools was 1.8 years.

The total number of Filipino teachers in the bureau, including both insular and municipal, was 6,141, an increase of 1,422 over the number employed during the preceding year. The total number of teachers in the bureau at the close of the school year, including American, Filipino insular, and municipal teachers, both permanent and temporary, was 6,887, of whom 4,888 were men and 1,999 women. Adding to this total the 625 student teachers who served during the year gives a grand total of 7,512 instructors exclusive of the Moro Province.

CONTINUITY OF SERVICE IN THE TEACHING FORCE.

The records of the bureau for the past year show that there came into the bureau by reinstatement 11 teachers, by transfer 13, by probational appointment 70, by temporary and emergency appointment 290, a total of 384; while the total number of separations from the bureau during the year by reason of resignations, transfers from the bureau, and temporary and emergency employees dropped amounted to 469. This represents a net loss to the bureau for the year of 179 or 17 per cent of the entire permanent force. Should this ratio remain constant the entire teaching force of the bureau would change every six years. This percentage of loss is based upon the entire insular force, including American and Filipino teachers. The percentage would be still higher if based upon American teachers only. The significance of this fact appears when we bear in mind that it is the old and experienced teachers who have completed their contract period that we are losing. It usually takes the new teacher at least one year to become fully acquainted with the conditions and problems he must meet in his school work. The expense to the government of the transportation of new teachers to the islands, and of the salary paid to those who fail (although few in number) for such period as they remain in the service, emphasizes the fact that this loss of experienced and successful teachers is not only exceedingly prejudicial to the effectiveness of the educational work, but is also exceedingly costly to the government.

HEALTH OF THE TEACHING FORCE.

The statistics for the past year show an average of but six days' illness for each American teacher in the service. The general health of the force is excellent. So far as we have been able to determine teachers enjoy on the average as good health here as in the States, and our experience shows more conclusively every year that the teacher who takes reasonable care of himself has no cause to dread the effects of this climate.

GENERAL STATISTICS.

A study of the statistical tables given in the appendix to this report reveals the extent to which the education of the children of school age is made possible by the present school facilities provided by the government. Estimating the number of children of school age as one-fifth of the entire population and allowing for an annual increase in population of 1.1 per cent, the present school population is estimated to be 1,508,011, while the total number enrolled in the schools during the year was but 479,978 (31 per cent of the whole). The number of children who remained in school throughout the year with sufficient constancy to be counted as permanent members of the school was but 348,245, a number much smaller than the entire enrollment and

constituting but 23 per cent of the total number of children of school age. We may fairly consider that the schools are effectively reaching this number of pupils.

The average enrollment and attendance per teacher in the primary, intermediate, and secondary courses as given in Table IV^a show that further increase of pupils in the primary grades without a corresponding increase of teachers is impossible; that an increase of 25 per cent in pupils without any increase in the number of teachers is possible in the intermediate course; and that the number of pupils in the secondary classes may be increased 200 per cent without the necessity of any increase in the teaching force.

The marked decrease in the number of pupils in school in the months of November and December, as shown on Table V,^a is due to the fact that in a large number of divisions during these months the primary schools were closed on account of the normal institutes for Filipino teachers.

An examination of the number of pupils enrolled in each grade as given in the table for the month of October shows that up to the present the average pupil remains in school but one and one-half years. On the basis of the present percentage of children cared for annually, the bureau in this period of a year and a half gives instruction to 34.5 per cent of the total number of children of school age. This percentage is susceptible of increase by lengthening the average school life of the child; but this would involve an increase in the number of primary schools and teachers. This, as already explained, is impossible with the present limited municipal school funds, which are now taxed to the utmost for the maintenance of the primary schools already established. Provincial school facilities are more than adequate to meet the needs of the present number of secondary pupils, and the number of intermediate pupils could be considerably increased without the necessity of further expenditure for salaries. The establishment of more primary schools would probably necessitate some increase in the number of supervising teachers, as in many cases the districts are now too large and the work so great as to tax to the utmost the strength of the supervisor. No increase, however, would be necessary in the superintending force of the bureau. It is evident, therefore, that a large increase in the number of primary schools and in the number of pupils in the intermediate and secondary schools is possible at a minimum per capita cost.

COURSE OF STUDY.

For the past three years the director of education has been gathering data upon the industrial needs in all parts of the islands and has enlisted the cooperation of the teachers in a systematic study of local conditions with a view to determining the lines upon which industrial work in the schools could be most effectively organized and be most directly beneficial to the people. Many teachers throughout the archipelago have been gathering data as to the local industries of the people, the materials used by them, how they are obtained, how prepared, and how used. They have studied existing markets with a view to determining whether the local industry could with profit to the people be further developed, and have rendered reports to the central office giving the results of this study and recommending the industrial lines upon which the energy of the schools in their districts could best be expended.

These investigations during the past year reached the point where the results from them could be used with considerable confidence and were incorporated into a revised course of study which adds one year in time to the former primary course and outlines the industrial work proper to the primary grades, indicating in considerable detail the various lines upon which the pupils in these grades should be trained. The amount of attention given daily to industrial work increases from forty minutes in the first and second grades to sixty minutes in the third grade and to one hundred minutes in the fourth. This course is outlined primarily to meet the needs of the great mass of children in the barrio schools whose school life will end with their graduation therefrom, and its aim is to prepare the pupil to become an intelligent, self-supporting citizen, with sufficient academic knowledge and training to enable him to efficiently transact his own business. It should make him conversant with the general rights and privileges of a citizen and with the corresponding duties which citizenship involves. The completion of this course should fix in him the habit of work and cause him to realize that manual labor is eminently respectable and honorable. He should acquire a fair knowledge of some handicraft and know the general laws of hygiene and of the sanitation of the home and village. The emphasis of this course is frankly upon the commercial and industrial side, without detracting from the value to be placed upon English, arithmetic, geography, and other academic subjects.

^a Tables IV and V are on file in the Bureau of Insular Affairs, War Department.

Special investigations were made during the year with a view to amplifying and defining in greater detail the present scope and character of the industrial training offered in the intermediate and secondary schools. At the close of the school year a special convention of industrial teachers was called for the purpose of studying the data at hand and preparing a report thereon to the director.

Their report embraces the following subjects in addition to primary industrial work: Agriculture, school gardens, iron working, wood working, bamboo and bejuco working, mechanical drawing, ceramics, cloth and mat weaving, and domestic science, and furnishes a basis for further amplification of the intermediate and secondary courses of study as soon as certain additional details are secured and the necessary buildings, equipment, and teachers are available.

RECOMMENDED LEGISLATION.

In his annual report for the previous year the director called attention to the inadequacy of the present school funds. Notwithstanding the fact that from year to year the needs are constantly increasing, making necessary the organization of additional classes, the employment of more teachers, and the acquirement of better and larger facilities, there has been no corresponding increase in the amount of school funds available to meet these needs. On the contrary, there has been a marked decrease in regular municipal school funds during the past year by reason of the suspension of the land tax (act No. 1579) and the provision in lieu thereof for reimbursement to municipalities of but 50 per cent of the funds lost by reason of this suspension. In a number of cases municipalities have in whole or in part made good this loss to the school funds by appropriations from the general municipal funds. This, however, has been in every case at the sacrifice of much-needed public improvements. In a far larger number of cases the decrease in the current income for schools has been made up by drawing on the small surplus remaining in the school funds from previous years which was being reserved for expenditure in the construction of greatly needed school buildings as soon as the surplus should become sufficient for this purpose. In a considerable number of municipalities this surplus has been entirely wiped out during the past year in the payment of the current school expenses incurred by schools already established. An examination of the statistical tables appended to this report will show that already there are in the primary schools a maximum number of pupils per teacher. Were it possible to reduce the present number of pupils per teacher in the primary grades to forty, the efficiency of the work done in these grades would be greatly increased. This, however, is absolutely impossible with the limited funds now at our disposal without doing serious injury to those children now in school who by such reduction would be necessarily excluded, as we are unable to employ the additional teachers that would be needed were such reduction made. The average number of pupils per teacher in the intermediate grades, however, could be increased 25 per cent without any increase in cost other than for the purchase of the books needed for the additional pupils. No increase in local expense would be involved therein. The present number of pupils per teacher in the secondary grades could be practically trebled without making necessary any increase in the teaching force. These conditions in the higher grades will gradually right themselves as the number of pupils going on to advance work increases from year to year. This comparison serves to bring out the fact that the financial stress is felt now most keenly in our municipal schools, and that further extension there will not be possible until the municipal school funds are increased.

The expenditure of more funds upon the primary work does not mean a corresponding increase of expenditure immediately in the higher schools, owing to the fact that there is considerable room for expansion in the schools already established. But little increase will be needed in the supervisory force, as the majority of the new primary schools established will be within districts already provided with supervisors. It will mean no increase in the general superintending force of the bureau and can therefore be accomplished at a minimum expense per pupil. Additional legislation which shall make adequate and permanent provision for the support and maintenance of municipal schools is therefore recommended. The provision made by acts Nos. 82 and 1189 is insufficient to meet the present needs of the public primary schools. Since the passage of these acts the total ordinary expenditures for primary schools have been greatly augmented by the increase in the number of schools, teachers, and pupils. The present law, it is estimated, will provide approximately ₱733,000 per year for these schools, which amount represents a cost of 10½ centavos, Philippine currency, per capita, 61 centavos per child of school age, and ₱1.83 per pupil actually enrolled in the public schools. This fund must bear the burden of extraordinary expenditures for schoolhouse construction, furnishing equipment, etc., in addition to the ordinary running expenses of the schools, or, in default of this, such construction

must depend upon appropriations from the general municipal funds or upon voluntary contributions made by the people. As already stated, the general municipal funds are in no condition to meet such extraordinary expenses, and dependence upon so indefinite a factor as voluntary contributions is, and must always be, highly unsatisfactory.

Furthermore, sufficient funds must be made available to enable municipalities to pay a higher average salary to deserving teachers. The bureau is already experiencing considerable difficulty in retaining the services of its best-qualified Filipino teachers. The 6,000 Filipino teachers employed by the bureau of education have to-day an average of about four years' training for their work. A large number of them have had five and six years' training and a few seven years of preparation. The efficiency of these teachers has greatly increased during the past three years, but their average salary has increased very little, if at all. They are to-day receiving an average wage of but ₱17.53 per month, an amount no greater than that paid the humblest clerk or "escribiente." These teachers are being sought by other bureaus of the government and by business houses, and are leaving us by transfer or resignation, frequently with the statement that the opportunities for promotion and advancement in other bureaus and in business houses are much greater than in the teaching service of the bureau of education.

As the work in the primary and industrial schools advances, the need for better-trained teachers becomes constantly more urgent. We can ill afford to lose a single teacher from among those standing at or near the head of the entire corps in ability and efficiency. If we are to retain our best teachers, if we are to make the work of a teacher in the bureau of education a career to which every bright, enthusiastic, and intelligent young Filipino may look forward with eagerness and ambition, we must make ample provision for adequately remunerating him for the service he renders. Unless we are able to keep these teachers in the bureau and have them available for service as instructors in the intermediate schools, where we believe they should be employed as soon as possible, we shall be obliged to continue American teachers in charge of such instruction at great cost to the bureau. During the past year 322 American teachers were employed as instructors in classes of primary and intermediate grades. Were we able to substitute, for these Americans, Filipino teachers capable of giving instruction satisfactorily in these grades, we could make an annual saving in the present cost of elementary instruction of at least ₱386,400. (Estimated on the basis of a saving of ₱1,200 for every American teacher now employed in elementary classroom work.) The present conditions which make impossible the retention of many of the brightest Filipino teachers in the bureau are in their ultimate effects very costly to the government.

A higher average salary must be paid to the teaching corps because of the increased demands now made upon our primary teachers by the requirement that they shall all give certain industrial instruction in addition to their regular academic work. This makes necessary larger preparation on their part. A considerable number of the best Filipino teachers, those of largest training and experience, have with the approval of their division superintendents resigned their positions as teachers and entered the provincial trade schools as special normal classes to receive a year's instruction in the industrial work of the primary grades. The young men are taking courses in wood-working, bamboo and bejuco weaving, chair making, etc., special attention being given throughout the year to their peculiar needs as prospective teachers of this industrial work. The young women are taking work in domestic science, including general housekeeping, cooking, sewing, and special instruction in sanitation of the home. These young people forfeit an entire year's salary and incur considerable additional expense in order to better fit themselves for the special work they are to take up upon their return to their respective towns. Upon the completion of this special course of study they will be reappointed to the service and must be given better salaries than they received formerly, otherwise the incentive for special training will in large part be lost. These teachers will be much more valuable to the bureau and more helpful to their people by reason of this special normal course, and proper recognition thereof must be given in the salaries at which they are reappointed, yet there is no money available for an increase in salaries unless it be saved by abolishing certain other teachers' positions and reducing the present scope of school work in the barrios.

Further demands upon the local school funds will be made because of the general introduction of industrial work in municipal schools. The necessary equipment and materials for this work must be purchased, yet there is probably not a town in the Philippine Islands that will be able to provide this equipment and the necessary materials from the present school funds. Where they are provided under present

conditions the provision must be made in almost if not every case at the expense of the general funds of the municipality.

Ultimately intermediate schools also must be supported and maintained by the municipalities. The instruction given in them is essentially primary instruction and every municipality in the islands will soon demand an intermediate school. Every municipality within a very few years should have in its "centro" or "población" an intermediate school as well as a primary school and in its barrios primary schools which should be tributary to this central intermediate school.

These needs are pressing upon us more and more every day. The bureau is constantly petitioned for additional teachers, both American and Filipino insular, to carry on the work already begun. These requests we have not been able to meet even to the extent of supplying the most urgent needs. The present conditions, under which greatly needed schoolhouses can not be built because of lack of funds, under which our best municipal teachers are being sought by other bureaus and by business houses and are themselves in some cases seeking employment elsewhere because of inadequate remuneration in the bureau of education, and under which the municipalities are unable to pay from the present school funds adequate salaries to teachers who have made special preparation for industrial and regular work, are very unsatisfactory.

As possible ways of meeting this need for a larger municipal school fund, the following are suggested:

(1) That the cedula tax be doubled, one-half of the additional peso to go to the municipalities for the support of municipal schools in addition to the money derived from the tax of one-fourth of 1 per cent of the assessed valuation of real property, and from 5 per cent of the internal-revenue tax as provided by acts Nos. 82 and 1189; the remaining one-half of the additional peso to go to the provinces to be set apart as a special provincial school fund. This method of providing additional support for public education is considered the most equitable, for it falls equally upon all classes, and all have an equally direct and personal interest in the schools. Under the present system of securing funds for educational purposes the poor man does not pay one cent directly for the education of his children other than the small amount which he may pay as internal-revenue tax on his cigarettes and the few other taxable things purchased by him, only 5 per cent of which goes to the support of schools. Thus he pays under the present system but an infinitesimal part of the cost of educating his children. The poor man has shown already in countless instances that he does not hesitate to contribute voluntarily a media peso or a peso for the support of the schools. Thousands have contributed this amount every year. It is believed that there would be but little or no opposition on the part of the people to an increase in the cedula tax for this special purpose, it being clearly understood by them that the amount derived from this increase was to be expended exclusively in behalf of education.

(2) That instead of refunding to the municipality but 15 per cent of the internal-revenue tax as at present, 30 per cent be refunded by the insular government, and that two-thirds of this amount be set aside for the support of primary schools. This sum, in addition to the tax of one-fourth of 1 per cent of the assessed valuation of real property, would be sufficient to construct suitable school buildings and properly support and maintain municipal schools, giving in them the amount and kind of instruction prescribed by the director of education.

(3) That the entire land tax authorized to be collected by the municipalities—to wit, one-half of 1 per cent of the assessed valuation of real property—be set aside for the support of primary schools instead of one-fourth of 1 per cent as at present and that the internal revenue set aside for the support of primary schools be increased to 10 per cent instead of 5 per cent as at present authorized.

If the provision suggested under the first plan is made (and the result will be approximately the same if either of the other plans is adopted) the total municipal cost per capita will be increased to about ₱0.22, the cost per child of school age will be ₱1.28, and the cost per pupil actually enrolled in the schools will be ₱3.84 per year. If we include in our estimate of the cost of free public schools on the above basis, the insular expenditures, the cost per capita will be about ₱0.65; per child of school age it will be ₱3.78; and per pupil actually in school ₱11.34.

The average costs for elementary instruction in 78 foreign countries, in which are included all the great countries of the world except China, for which no data are available, is ₱2.74 per capita and ₱19.34 per pupil enrolled in their schools. In only 7 countries is the cost per capita less than will be the per capita cost for education in the Philippine Islands if the provision suggested be made. These countries are Bengal, ₱0.02; Burmah, ₱0.02; Madras, ₱0.04; Bolivia, ₱0.10; Bombay, ₱0.12, and Honduras and Peru, each ₱0.16.

It is further recommended that provision be made by legislation for a regular provincial school fund. The only law bearing specifically upon the support of provincial schools is act No. 372, section 1 (b), which reads as follows:

"(n) To provide, if deemed expedient by the provincial board, by construction or purchase, or renting, such school building or buildings in the province as in the opinion of the board may be necessary to be used for the free secondary instruction of pupils resident in the province, such secondary instruction being understood to include, in addition to academic and commercial subjects, manual training, instruction in agriculture, and normal-school instruction and to provide for the payment of all expenses of maintaining such public school or schools of secondary instruction as may be established in the province, and the schools in their establishment and conduct shall be subject to the general supervision of the division superintendents and the general superintendent of public instruction in accordance with the provisions of Act Numbered Seventy-four: *Provided*, That temporarily and until such time as the Commission shall decide that the condition of the finances of the province will justify for the future the payment of the salaries of teachers and the expense of supplies and equipment for secondary schools from the provincial treasury, such salaries and expense may be borne by the insular government."

This law, it will be noted, creates no special provincial school fund. The lack of such a fund has been and still is unsatisfactory. The provisions of the law cited and those of other acts of the Commission indicate that it is the policy of the government to shift the responsibility for the maintenance of local institutions, as rapidly as local finances warrant, to the provinces and municipalities concerned. The very pressing need in all parts of the archipelago for public improvements, especially for better means of communication, is so great as to make it frequently an open question whether a province should devote any part of its available funds to other purposes. Under such conditions it is inevitable that the needs of the provincial school should be frequently unprovided for and that the possibility of constructing needed buildings for schools of arts and trades, for agricultural work, for domestic science, etc., and for adding to their present equipment should be greatly lessened, and the acquiring of an adequate plant be unduly postponed. The present uncertainty as to the amount of provincial support for provincial schools makes it impossible to map out for them a definite programme for each school year, or to lay adequate foundations for future work within well-defined limits. Definite and adequate provision should now be made for the development and maintenance of the several departments of our provincial schools, including, under the term maintenance, current as well as permanent equipment, the furnishing of material for industrial departments, such as buying the necessary lumber, the purchase of necessary work animals for the agricultural school and farm, the buying of agricultural implements and all accessories to such work, etc.

As possible ways of providing a provincial school fund, the following are suggested:

(1) That the cedula tax be doubled (as suggested under the recommendation that provision be made for an increase in municipal school funds) and that one-half of the additional peso accrue to the province as a provincial school fund.

(2) That a refund of 15 per cent of the internal-revenue tax be made to the province and that one-half of this amount be set aside as a provincial school fund. The total provincial school fund for the archipelago that would be realized under each of these plans would be approximately as follows:

Under the first plan.....	₱ 800, 000
Under the second plan.....	530, 000

The adoption of either of these plans will make it possible for the provinces to splendidly equip their schools along industrial lines, and enable the bureau to place even greater emphasis on this phase of educational work.

AMERICAN CIRCULATING LIBRARY.

During the past fiscal year the American library was open to the public 300 days from 8 a. m. until 10 p. m. Its average circulation of books per day was 68; the total circulation during the year was 20,415. One hundred and twenty-eight yearly membership, 2,486 monthly membership, 2,300 extra and 32 duplicate cards, a total of 4,946, were taken out.

The total receipts of the library from subscriptions, fines, lost books, and extra book cards was ₱ 2,588.68. One thousand two hundred and sixteen volumes were purchased for the library during the year, and 455 volumes were received as gifts.

There are on the shelves of the library 14,571 volumes, and in the storeroom approximately 11,000. The library receives by each mail 25 copies each of several United

States papers given by people interested in the library. These papers are mailed by the librarian to military posts and various hospitals in the islands. Twelve traveling libraries have been sent out to the provinces during the year, made up of duplicate copies of the volumes on the shelves. These libraries contain about 450 volumes each.

The accession register of the library now contains 14,534 volumes; a classified shelf list of 6,102 volumes has been completed. Title cards for 4,582 books of fiction have been prepared and are available for the use of the public. Six thousand one hundred volumes, of which 281 are Spanish and foreign books, have been catalogued, classified, and book numbered, and 4,136 complete catalogue cards have been finished and placed at the disposition of the public. The work of the library is so arranged as to permit the cataloguer to devote her whole time to the completion of the permanent catalogue, which it is hoped may be completed by the first of the next calendar year.

SPECIAL RECOMMENDATION.

During the past year advanced pupils in the primary schools and adults in parents' meetings have been given instruction by the bureau of education, in the bureau of health circulars upon tuberculosis, cholera, and smallpox, in the bureau of agriculture circulars on the crop-report service and on the homestead act, and pupils of intermediate grade have been taught the provisions of the municipal and provincial codes. The results of the instruction given, especially in the homestead act, have been very gratifying. In many cases there have been applications for homesteads directly traceable to this instruction. This is especially true in the provinces of Ambos Camarines, Samar, Zambales, Nueva Ecija, and Mindoro. This method of imparting to the people information concerning the laws is without doubt one of the most effective that can be devised.

This instruction could well be greatly extended, and it is recommended that all laws affecting the mass of the people be printed in sufficient numbers to make possible the placing of one copy of each in the hands of the teachers. If this is done the director will provide for the study and discussion of these laws in teachers' classes under the direction of American supervisors and for the giving of regular instruction to the people by properly qualified Filipino teachers.

Respectfully submitted.

GILBERT N. BRINK,
Acting Director of Education.

HON. W. MORGAN SHUSTER,
*Secretary of Public Instruction,
Manila, P. I.*

TABLE I.—*Showing, by divisions and for the islands, the school population, number of schools, average school population per school, etc.*

Division.	School population.	Number of schools. ^a	Average school population per school.	Enrollment, 1906-7.	Per cent of school population enrolled.
Manila.....	45,437	36	1,262	13,950	30
Albay.....	40,651	85	584	10,342	21
Ambos Camarines.....	40,461	87	569	10,474	21
Antique.....	27,719	67	414	9,740	35
Bataan.....	9,666	22	439	2,430	25
Batangas.....	53,244	123	433	12,865	24
Bohol.....	55,621	160	341	21,226	38
Bulacan.....	46,225	116	398	15,683	34
Cagayan.....	32,279	91	355	10,303	32
Capiz.....	47,667	201	237	17,340	36
Cavite.....	27,847	63	442	10,556	38
Cebu.....	135,060	158	855	27,869	41
Ilocos Norte.....	36,980	129	287	14,900	20
Ilocos Sur.....	49,433	196	266	15,763	32
Iloilo.....	84,771	154	550	30,218	36
La Laguna.....	30,702	92	334	10,056	33
La Union.....	28,478	54	527	10,628	37
Leyte.....	80,351	138	582	21,461	27
Sorogon.....	23,918	77	441	9,540	28
Samar.....	55,006	123	447	18,736	34

TABLE 1.—*Showing, by divisions and for the islands, the school population, number of schools, average school population per school, etc.—Continued.*

Division.	School population.	Number of schools. ^a	Average school population per school.	Enrollment, 1906-7.	Per cent of school population enrolled.
Misamis.....	36,296	66	550	8,507	23
Nueva Ecija.....	27,714	95	292	14,766	53
Nueva Vizcaya.....	12,921	20	646	2,271	18
Occidental Negros.....	63,689	184	347	25,680	40
Oriental Negros.....	41,629	81	514	13,116	31
Pampanga.....	46,228	152	304	16,250	37
Pangasinan.....	91,235	337	271	39,646	43
Rizal.....	31,181	76	410	8,495	27
Romblon.....	10,918	33	331	4,192	38
Surigao.....	23,782	84	282	8,674	36
Tarlac.....	27,913	71	393	10,581	38
Tayabas.....	42,299	80	529	16,239	38
Zambales.....	21,600	32	675	4,425	20
Isabela.....	15,791	51	310	5,243	33
Mindoro.....	8,178	55	149	3,453	42
Benguet.....	4,699	4	1,175	583	12
Bontoc.....	15,030	27	557	1,973	13
Palawan.....	7,393	11	672	776	10
Normal and trade.....		2		1,028	.....
Philippine Islands.....	1,508,011	3,623	416	479,978	32

^a "Number of schools" is not an annual average, but is taken for a normal school month—February.^b Maximum monthly enrollment.

NOTE.—The following statistics accompanying this report have been omitted and are on file in the War Department:

TABLE II. Showing, by grades, years, and courses, the number of pupils enrolled during the month of October, 1906—a normal school month.

III. Showing, by sexes, the average monthly enrollment for the year for different classes of schools.

IV. Showing, by divisions and for the islands, the average daily enrollment per teacher, average daily attendance per teacher, and percentage of attendance per teacher for the different classes of schools.

V. Showing, by divisions and for the islands, the average monthly attendance during the school year 1906-7.

VI. Showing, by divisions and for the islands, the average number of pupils attending the different courses, the aggregate attendance, and percentage of attendance.

VII. Showing the average number of teachers in the different courses during the school year 1906-7.

VIII. Showing number, class, and sex of teachers in the service on March 31, 1907.

IX. Showing, by divisions and for the islands, the sex, salary, age, etc., of Filipino (municipal) teachers.

X. Showing, by courses, the total annual cost of public instruction per pupil enrolled in the public schools.

XI. Showing, by divisions and for the islands, the total municipal receipts during the school year 1906-7.

XII. Showing, by divisions and for the islands, municipal expenditures for school purposes during the school year 1906-7.

XIII. Showing, by divisions and for the islands, the provincial expenditures for school purposes during the school year 1906-7.

XIV. Showing, by divisions and for the islands, the insular expenditures for salaries and wages and supplies furnished during the fiscal year 1906-7.

APPENDIX B.

REPORT OF THE PURCHASING AGENT.

BUREAU OF SUPPLY,
Manila, P. I., August 21, 1907.

SIR: I have the honor to submit herewith the annual report of the bureau of supply, covering the fiscal year ended June 30, 1907, showing in detail the transactions of the bureau:

1. The report of the division of accounts and disbursements.
2. The report of the division of cold storage.
3. The report of the division of records.^a
4. The report of the property division.

The following is a comparative statement of sales from the establishment of the bureau to June 30, 1907:

Fiscal year.	Amount.	Increase (+) or decrease (-).
		<i>Per cent.</i>
1902	P1,970,549.78	.....
1903	3,134,141.98	+59.05
1904	5,309,474.87	+69.41
1905	4,986,978.79	-7.01
1906	3,606,250.07	-26.97
1907	3,811,572.52	-8.146
Total	22,267,965.51	.....

Percentage net (cost) value of sales compared with operating expenses run as follows:

Fiscal year.	Per cent.	Fiscal year.	Per cent.
1902	16.51	1905	12.50
1903	15.52	1906	10.92
1904	12.49	1907	10.77

The bureau of supply has no separate or distinct service to perform in administration, but is intended as a saver of money and time for all. Its expenses are therefore met by an assessment upon all the other bureaus for which it performs service. This assessment has been in the form of a surcharge of 10 per cent on the cost of the property handled or service rendered for the other bureaus of the government.

It necessarily follows that this surcharge may net a greater or smaller sum than the actual expenses of the bureau, as the sales are larger or smaller. Business experience informs us that the administrative expense of an importing, jobbing, and retailing business does not increase in proportion to the gross amount of its transactions, and that little can the expenses be reduced proportionately upon a decrease. There may be a total of business per annum which would require a surcharge of 50 per cent to meet expenses, while, on the other

^a Omitted and filed in the Bureau of Insular Affairs, War Department.

hand, the total business may increase so that a surcharge of 5 per cent would be sufficient to pay all administrative expenses. Therefore the volume of business is of the utmost importance in distributing the cost of the bureau of supply among the other branches of the government, to which it properly should be charged.

The cost of buying all the materials used or consumed by the government falls, of course, upon the government as a whole. It can most equitably be distributed among the bureaus to which it should be charged by passing it through a central bureau, the bureau of supply, and then apportioning it among the bureaus in proportion to their purchases.

The granting of special permission to individual bureaus to make direct purchases prevents this equitable distribution, since it may be taken as a fact that a bureau asking this privilege does so only when it calculates that the cost price of the articles will fall below the purchasing agent's cost price plus 10 per cent surcharge, while it orders through the purchasing agent such articles as are difficult to obtain, or upon which the cost of delivery or handling exceeds the difference in price. This is unfair, as it throws an undue proportion of the administrative cost of the bureau of supply upon the other bureaus.

The fairest and most equitable method, therefore, of distributing the cost of the bureau of supply among the other bureaus, provinces, offices, and departments of the government would be to tax equally all the purchases made by the government and to reduce the surcharge to such a percentage upon the purchases as would yield the necessary revenue.

This is what, in effect, the Commission did when it appropriated the money directly for this bureau and allowed the surcharge to accumulate as a surplus which could be returned to the general fund at any time. As this method made a duplication of the appropriation for this bureau, the Commission very wisely withdrew the direct appropriation. All that is necessary now to make the distribution automatic and equitable is to lay the surcharge evenly on all purchases. The ruling of the honorable the governor-general sustains this view in the case of the purchase of a third order flashing light by the bureau of navigation, as follows:

"BAGUIO, April 27, 1907.

"Respectfully returned to the honorable the secretary of commerce and police, approving the recommendation in the first and second indorsements that this purchase be made without the intervention of the purchasing agent, subject, however, to the payment to the purchasing agent of the usual 10 per cent for such purchase. The exemption of the bureau of navigation from payment of the usual 10 per cent for such purchases throws an unjust burden of expense on the other bureaus of the government for the maintenance of the bureau of supply, and enables the bureau of navigation to make a showing of expenses more favorable than is possible for bureaus that are obliged to pay the usual percentage of purchases.

"JAMES F. SMITH,
"Governor-General."

Dozens of examples of the injustice of the discrimination practiced during the last two years can be cited, but certainly concrete examples are not required when the general proposition is almost self-evident.

GENERAL GOVERNMENT WAREHOUSES.

The desirability and economy of a general warehouse for the bureau of supply and its customers on the new harbor is earnestly urged by the undersigned. The arguments in favor of it are numerous. Saving in rental; cheapness in handling importations, whether bought direct or through Manila firms; cheapness in shipping; cheapness in storing, handling, and delivery; the convenience of having the large storage warehouse needed by the bureau of education, the bureau of public works, the bureau of navigation, the bureau of constabulary, and other departments of the government under one roof, subject to systematic supervision; the saving in repairs, alterations, and insurance, and the opportunity to install modern methods and appliances, are but a few of the advantages. The surplus hitherto accumulated by this bureau would be sufficient to start, and even complete, the work without appropriation out of the general funds, since the increased facilities would allow quicker deliveries and collections and a larger business to be done on less capital. Moreover, the investment would be a good one, and the buildings, wharf, and plant command some

outside revenue, besides always being available for rental to private parties when not required by the government. The wharves and warehouses of the cities of the United States are among the most profitable sources of revenue. The desirability and economy of having modern appliances, such as tracks, trolleys, small cranes, and elevators, for the handling of goods, thereby saving cost and breakage, are apparent every day, and the sight of 20 to 40 laborers struggling with a weight that could be lifted and transported with proper facilities by a man or two is distressing to modern business ideas.

This subject was taken up and elaborated by the reorganization committee after a careful consideration of all the factors entering into the scheme, and the committee even had tentative plans prepared. This is one of the greatest needs of the government, and will easily save \$100,000 per annum in cost of administration.

The movement begun several years ago to induce the merchants of Manila to carry stocks of certain articles used by the government, in order that this bureau might draw therefrom as necessity required, has not proved a success in two important instances in which it has been given a trial. The inconveniences and losses have been many, while the increased cost has been very large. In the matter of forage the very contractor from whom we were buying for importation, in the United States, secured the contract and opened a warehouse in Manila. His price was about \$10 per ton more than it would have been had we bought the forage from him in Seattle and imported and handled it ourselves, although his bid was still \$10 lower than any other. Besides, if we had not had the assistance of the army we should have several times been entirely out of fodder. Moreover, the contractor made no money on account of the necessity of handling a business at such a distance without knowledge of the conditions here and the various drawbacks which these conditions impose. He has accordingly turned over his business here to another firm, and we are paying both increased prices to the firm in the United States and the expenses and profits of the handler here.

Experience has demonstrated that we must get our forage from the United States, and the present method only forces us to pay more to the United States dealer; also more freight, more insurance, more wastage, and generally a much higher price, of which the agent or dealer here probably does not receive more than a very small percentage.

The cement experiment has resulted in the same way. The increased cost is large, but the inability to secure a constant and sufficient supply is still more exasperating. It is to the interest of the dealer here to sell his stock in small lots to local consumers, since he gets from them a much larger price when the commodity is scarce. Even if we buy immediately in the open market and charge the advance price to the contractor, he is still ahead, since he would not sell in small lots unless he gets a more than sufficient price to buy the difference. We are frequently, therefore, obliged to buy odd lots of cement of different brands, thus causing difficulty and delay in the completion of public works, and we may at any price be absolutely unable to fill pressing orders.

The government should certainly have control of and careful supervision over all cement used in its public improvements. This can be done to much better advantage when it is warehoused and controlled direct in quantities. The danger of damaged or inferior grades getting into construction work would be thereby minimized, and sufficient quantities would always be on hand to enable every shipment to be made from cement that had been carefully tested. We could then have all cement tests completed before its actual use. Under the present arrangement we can not do better than take samples of shipments received, the whole supply usually having been shipped or put into construction work before the seven days' test is completed.

It must not be supposed that these inconveniences and losses can be all imposed upon the contractor, or that the fault lies with him entirely. He can not always buy as well as the government can directly; he is largely at the mercy of his correspondents and manufacturers; competition may have reduced his prices so that he can not afford to keep large stores to meet the variable demands of the government, and, moreover it is only common business sense to suppose that he will accept an immediate profit which is greater than his possible loss by nonfulfillment of his contract.

COLD STORAGE AND ICE.

With respect to the cold-storage division I would respectfully recommend a change of policy founded upon the following considerations:

The ice plant was built with public civil funds raised by general taxation; that is, the money of the people as a whole.

Pure ice and water are necessities in Manila, and the manufacture and sale thereof is of such supreme importance that it becomes a subject deserving governmental supervision. We are spending millions in education, improvements, and sanitation in these islands, while one of the greatest instruments for the improvement of health conditions and for the improvement of the physical condition of the inhabitants by lessening the debilitating diseases that are so weakening and even fatal in the tropics lies within our grasp almost unused. Worse, we are even using this great agent for the benefit of the employees of the civil and military governments and excluding from the use thereof the people we have come to help and aid.

The importance of pure water and ice to the inhabitants of Manila as an aid in the extirpation of many tropical diseases can not be overestimated, and the best medical and sanitary authorities of the islands I am certain will agree with me. Gas, electric light, water, the slaughter of cattle for market, and various other industries of a public or semipublic character have in all civilized countries been recognized as of such importance to general safety, health, or convenience that they are properly subject to municipal or governmental control. No stronger case for the active participation of the people as a whole, that is, the government, in an industry can be presented than for the supplying of pure ice and water to the common people of Manila. Moreover, if this be done at present no competition of importance stands in the way. There is but one small manufacturer of ice in Manila, and the government could well afford to equitably satisfy all reasonable claims for the advantages that would undoubtedly be gained in even one year's extension of the privileges now enjoyed by the few to the general population.

The ice plant is not running at present to its fullest capacity, and the amount of wastage—that is, of ice manufactured and not sold, during the last fiscal year amounted to over 4,000,000 pounds. Three-quarters of this ice could probably be sold and the output of the plant increased an additional eight or ten millions of pounds with a very small increase in expense. The installation of one new tank at an expense of \$10,000 United States currency would enable us to increase the output by about 30 tons per day without any extra expense except that of handling and delivery. This means at present prices that the net income could be increased over ₱100,000 per annum, or about 30 per cent. Surely upon financial and economical grounds alone the proposal is highly advantageous. I use this argument, however, only to show that financially also the course proposed would lighten the burdens of the people.

I submit below in support of my proposition a communication from the director of health furnishing data on polluted water and disease and showing that pure water and ice at reasonable cost to the masses would do more than any other one thing toward improving health conditions in Manila:

"POLLUTED WATER AND DISEASE.

"From remote antiquity it has been known that disease is intimately associated with drinking water. Moses's advice to his people was scarcely less scientific than that given by health officers of the present day. While he knew nothing about germs as causes and factors of disease, his trained observation led him to believe that there was something in impure water which would make people sick. Until the invention of the microscope and the development of the science of bacteriology there were no accurate methods of testing water except by experience. The popular mind has always judged the quality of water by its physical characteristics; hence it has been a difficult matter to arouse public opinion against the use of sewage-polluted water when such water appeared harmless.

"Classified in the order of their importance, the six essentials of desirable drinking water are as follows:

- "1. Freedom from disease germs.
- "2. Absence of substances that derange and undermine the human system.
- "3. Freedom from suspended matter, or turbidity.
- "4. Absence of color.

"5. Absence of odor and taste.

"6. Coolness.

"The most common diseases in the Philippine Islands attributed to drinking water are typhoid fever, cholera, dysentery, and diseases caused by intestinal parasites. These diseases may be rapidly exterminated or reduced to small proportions if all the people would drink sterilized water. There would still remain milk and other food as sources of infection; but if pure water was used for cleansing dairy vessels and diluting milk, and proper precautions observed with reference to food, the source of danger would be almost entirely removed.

"Apart from those diseases which are introduced into the system through drinking water, the digestive tract is more or less subject to derangement through the use of water containing matter in suspension, whatever its origin. Organic matter in considerable amounts may cause diarrhea or dysentery, especially if it is contaminated with sewage. Metallic poisonings are also traceable to the character of the drinking water.

"Turbidity, or suspended matter, is objectionable both because of its possible derangement of the human system, as mentioned above, and on account of the bad appearance it imparts to the water and utensils holding it. Depending upon the fineness of the grains of suspended particles and upon their color, it may cause variations in the appearance of water ranging from light, milky cloudiness through the whole range of grays, reds, yellows, browns, and even to almost inky blackness in coal-mining regions.

"Color may be due to turbidity, but as often used in analytical reports it refers more to an actual stain than to mechanically suspended matter. Iron may give a very decided reddish color, but if this filters out readily it may be set down as due to iron in suspension. If the iron is so combined as to require chemical rather than, or combined with, mechanical action, for its removal, then it may be classed as a stain. One of the most fruitful sources of color is vegetable matter. Color may also be due to the development of the low forms of organic life in the water.

"Odor may be caused by the gases of decomposition of either animal or vegetable matter, by the decay of inert matter, or by the life processes of some of the lower organisms. Like color, it is seldom directly harmful, but it may be very annoying or even nauseating.

"Coolness is essential to the agreeableness rather than the healthfulness of water, although, partly through custom, it has come to be considered one of the prime essentials of drinking water. It is rarely the case that coolness can be allowed much or any weight in choosing between sources of water supply, except where comparatively limited quantities are to be provided. In most cases other factors than coolness would have a preponderating influence in selecting a water supply, especially since water may be so readily cooled by ice. This suggests the importance of pure ice supplies, so the expenditure of large sums for securing pure water may not be rendered useless and all the effort to that end nullified by polluting the water with ice. In general it may be said that ice should be cut or manufactured only from potable water. Freezing is not a safeguard against disease germs, but there is a tendency for the organic impurities to be forced downward as the ice forms on natural sheets of water; so unless the water is shallow the ice formed on streams or lakes may be somewhat purer than the original water. Artificial ice when properly made from sterilized water has no impurities; hence it is far superior to natural ice. Pure ice and water are undoubtedly the most important factor in maintaining good health in the tropics. In the city of Manila, even after the new water system is introduced, it will not be safe to use the water unless it has been sterilized.

"Wherever possible it is highly desirable not to have ice in direct contact with water or food which is to be cooled, as then there is much less chance of contamination. This may result in an actual saving of ice and have the further advantage, in the case of water, of not producing so low a temperature and thus so much possible harm from drinking ice water.

"The existence of intimate relations between water and health is accepted almost universally by all intelligent people, and the making available at a reasonable cost pure ice and water to the masses could reasonably be expected to accomplish more toward improving health conditions in Manila than any other one thing that could be done."

Section 9 of act No. 315, of course prevents any extension of the ice and water privileges without legislative action, but the satisfaction of any claims from

legitimate competition would be so easy at the present time, the advantages to the general population of the city so great, and the addition to revenue so large that I most earnestly urge the serious and immediate consideration of this proposal.

My proposal is based upon the broad grounds of humanity, and the burden which I would lift is that of disease and death of countless infants and adults caused largely by the impure and disease-contaminated water used by the masses of Manila.

Respectfully submitted.

E. G. SHIELDS,
Purchasing Agent.

The SECRETARY OF PUBLIC INSTRUCTION,
Manila, P. I.

BUREAU OF SUPPLY,
DIVISION OF ACCOUNTS AND DISBURSEMENTS,
Manila, August 15, 1907.

SIR: I have the honor to submit herewith my annual report as chief of the division of accounts and disbursements for the fiscal year ended June 30, 1907.

The character of the statements and tables have been fully explained in previous report and have been adopted as affording statistical information upon all subjects with which the division is concerned and supplying answers to all questions likely to be asked as to the financial operations of the bureau.

An examination of the "Statement of comparative sales" shows that the total of annual sales is still decreasing, and by referring to the "Cost of administration" it will be seen that notwithstanding the great reduction in cost of operation we have not been able to keep pace in this particular with reduced income.

The diminution in total sales is partly due to the larger purchases made by the various bureaus without the intervention of this bureau. The revenue from sales is still further decreased by the fact that the Philippines Constabulary have been relieved for the last eighteen months from the payment of any surcharge whatever upon commissaries purchased from this bureau. As the constabulary is by far the largest customer of the commissary (in the calendar year 1906 their business was two-thirds of the total business done), the loss of approximately ₱10,000 per annum in surcharge, and the increase of expense caused by the handling of this unprofitable business will account for about one-third of our loss in operation. Unless these direct purchases be abandoned, it is not likely that our total sales will increase to any extent during the next fiscal year, and as the proposed changes in property accounting and the consequent inventory taking will add some thousands extraordinary expenses to our administrative cost in all probability our receipts from surcharge will again fail to equal our annual expenditures. This can be avoided either by increasing the surcharge or by compelling the various bureaus of the government to comply with the original intention of the Commission in establishing the bureau of supply. As the government invariably loses by these direct purchases, which only assist one bureau in making an apparent gain at the expense of the other bureaus and of the government as a whole, the course to be adopted seems plain.

Your attention is called to the fact that our expenses in handling shipments to provinces and city bureaus upon the river and bay have been largely increased of late by the enforcement of a customs order requiring the hiring of a launch every time we desire to move a barge, although it may be carrying but a couple of hundred weight of freight and be going but a hundred yards. The bureau of navigation, which furnishes the launches, is particularly astute in calculating the slightest time over one-half hour as an additional half hour, so that our river and bay service, which is paid out of our surcharge, bids fair to consume the greater portion of the surcharge earned on these items, leaving nothing to apply to the general expenses of the bureau.

Our direct importations from the United States, as will be seen by the tables, amounted to less than ₱600,000 for the fiscal year. These importations consisted almost wholly of books and instruments used by the bureau of education and bureau of science; type, paper, and machinery for the bureau of print-

ing; machinery for the bureau of agriculture; structural iron and steel for bridges and public buildings, and special machinery or merchandise not obtainable in Manila. Comparatively nothing was directly imported that could be obtained in Manila either from merchants or brokers. Consequently there has been considerable increase in the cost of supplies to the government. As it costs the merchant or broker here more to import an article than it does this bureau, the greater portion of the increase in price has gone to the manufacturers and wholesalers in the United States, the freight lines, the insurance companies, and the banks, the merchants here getting what was left.

No certified inventory having as yet been approved by the auditor, I have not been able to correct the merchandise balance on hand June 30, 1907, by comparison therewith, and the statement of assets in which merchandise appears is thus subject possibly to some diminution or increase. The inventory of December 31, 1906, though not accepted as conclusive, is, however, sufficient to indicate the comparative correctness of the merchandise balance and the probability that on final adjustment the inventory will exceed by some thousands the merchandise balance, and thus slightly increase the assets.

Respectfully submitted.

FRANCIS H. GARRETT,
Chief, Division Accounts and Disbursements.

The PURCHASING AGENT,
Manila, P. I.

A number of tables showing the following information in detail have been omitted and are on file in the Bureau of Insular Affairs, War Department:

Bureau assets and liabilities.

Financial statement of "purchase of supplies" appropriation.

Operating expenses and earnings.

Purchase and sales of supplies.

Auxiliary civil supply store.

Sales of stores and stores account.

Monthly losses.

Receipts and disbursements by various disbursing officers, bureau of supply, Manila.

Receipts and disbursements of F. H. Garrett, disbursing officer, Manila.

Receipts and disbursements of A. T. Ruan, disbursing agent, Washington.

BUREAU OF SUPPLY,
DIVISION OF COLD STORAGE,
Manila, August 9, 1907.

SIR: I have to submit herewith a report covering the operation of the bureau of cold storage, and the division of cold storage, bureau of supply, for the period from July 1, 1906, to June 30, 1907.

Respectfully,

CLIFF C. BARTON,
Chief, Division of Cold Storage.

The PURCHASING AGENT,
Bureau of Supply, Manila, P. I.

REPORT.

The operation of the bureau of cold storage from July 1, 1906, to April 1, 1907, and the division of cold storage, bureau of supply, as constituted by act No. 1609, from April 1, 1907, to June 30, 1907, was under the direct supervision of the chief engineer, acting as superintendent and chief of the division, the superintendent being on leave from July 1, 1906, until January 14, 1907, on which date his resignation was tendered and accepted.

The gross earnings for the fiscal year 1907 were ₱632,565.37, and the expenditures ₱264,402.13. In addition to this there was expended ₱30,087.72 for coal which was consumed during the fiscal years 1904 and 1905. The net earnings for the year were therefore ₱368,163.24. While this shows a decrease of ₱73,092.86 from the previous year, it is an increase over the average of the pre-

vious five years of ₱57,690.25. The net decrease in receipts from the previous year was ₱80,482.55, as shown by the following table:

	Increase.	Decrease.
Cold storage		₱67,500.61
Ice		14,068.73
Water	₱4,501.95	
Miscellaneous		1,416.16
Total	4,501.95	84,984.50
		4,501.95
Net decrease		80,482.55

Of the decrease in cold-storage receipts the sum of ₱59,812.80 was caused by a reduction of 58,640 cubic feet in the cold-storage space required by the subsistence department. This leaves a decrease of ₱9,687.81 to be accounted for in miscellaneous cold-storage accounts.

The following contracts between the Quartermaster's Department, U. S. Army, and this division were completed during the year:

1. Contract for four rooms containing 141,418 cubic feet of cold-storage space for the use of the Subsistence Department, U. S. Army.
2. Contract for room No. 5, containing 42,418 cubic feet of cold-storage space, for the use of the Subsistence Department, U. S. Army.
3. Contract for furnishing ice to the Subsistence Department, U. S. Army.

Respectfully,

CLIFF C. BARTON,
Chief, Division of Cold Storage.

A number of tables showing the following information in detail have been omitted and are on file in the Bureau of Insular Affairs, War Department:

Receipts and expenditures.

Quantity of ice manufactured and sold during 1907.

Earnings by items and rate per cent of each.

Ice sold during fiscal years 1902 to 1907.

BUREAU OF SUPPLY, PROPERTY DIVISION,
Manila, P. I., August 20, 1907.

SIR: In accordance with the usual custom, I have the honor to report on the operations and proceedings of the property division during the fiscal year ended June 30, 1907.

Departmental, provincial, and miscellaneous requisitions for supplies aggregating 5,476 were received, being 8 less than were received and acted upon during the preceding fiscal year. In this connection it would seem to be opportune to comment on the unbusiness-like practice that obtains in the matter of issuing supplies on memorandum pending the receipt of final requisitions. This practice, in the opinion of the undersigned, should be permanently discontinued, as it materially hampers and otherwise interferes with the systematic conduct of affairs in this division, resulting in many instances in indefinitely deferring the settlement of property transactions.

It would seem that supplies required for immediate use could be gotten without any noticeable delay if requisitioners would prepare formal requisitions to cover same and have them sent by messenger through the regular channels when the exigencies of the service require immediate delivery of supplies. As the matter stands we have repeatedly to remind requisitioners that such and such an item was secured on memorandum and should be covered by requisition. This obnoxious practice is growing instead of decreasing, and it is suggested that remedial measures be adopted to effect a satisfactory solution of the problem. During the fiscal year there were 12,788 regular purchase orders issued, practically all of which cover supplies purchased in the local market, and local commercial invoices aggregating approximately 15,000, covering supplies purchased in Manila, were received. Compared with the number of purchase orders issued and invoices received during the preceding fiscal year, these figures show a decrease of a little less than 1 per cent.

Comparative statement of property.

	Fiscal year 1906.	Fiscal year 1907.
Manila.....	₱2,448,586.07	₱2,114,979.83
United States.....	1,006,392.04	601,576.32
Other countries.....	63,654.65	65,944.35
Total.....	3,517,641.76	2,782,500.00
	2,782,500.00	
Total decrease.....	735,141.76	

There were 243 free entries prepared and issued by the import division, 120 of which were for supplies ordered from local merchants on contracts specially providing that free entry would be granted. The comparatively extensive purchases from local importers on contracts of the above nature have materially decreased the direct importations by this office.

Condensed statement of materials purchased on circular proposals numbering from 256 to 301.

Coal.....	₱321,689.24
Oregon pine and redwood.....	85,240.75
Cement.....	123,599.10
Forage.....	224,606.80
Miscellaneous supplies.....	376,494.87
Total.....	1,131,630.76

The billing division prepared 2,751 cash and 3,723 interbureau vouchers, covering property aggregating in value ₱3,311,572.52, which, compared with the total value of property sold during the preceding fiscal year, shows a deficiency of ₱293,677.55.

The regular annual inventory of property on hand as of June 30, 1907, is now being taken and is progressing satisfactorily toward completion. In this connection the following tabulated statement showing property on hand at the end of the fiscal year is practically correct with the possible exception of the item of hardware; which while subject to slight revisions, pending the completion of the inventory now being taken is, however, sufficiently reliable for statistical purposes:

Inventory of property on hand June 30, 1907.

Stationery.....	₱220,280.60
Coal.....	7,000.87
Lumber.....	19,426.30
Furniture.....	56,852.91
Drugs and medicines.....	52,730.37
Medical appliances.....	35,000.00
Brooms and brushes.....	8,000.00
Hardware.....	825,000.00
Total.....	1,224,300.05
Property on hand June 30, 1906.....	1,334,293.86
Property on hand June 30, 1907.....	1,224,300.05
Decrease.....	109,993.81

The earthquake of April 19, 1907, occasioned damage in the hardware division to the extent of approximately ₱2,000, the vibration causing several sections of shelves, most of which were loaded with small pasteboard boxes, etc., containing small hardware of every conceivable description to tumble over scattering the contents of said boxes in every direction, thus creating a horrible mess. The loss entailed in this connection in the other storerooms is too insignificant to mention. Every precaution is taken to guard against loss and destruction of property as a result of disturbances of this nature by providing

suitable and substantial shelving and otherwise arranging the property in a manner calculated to minimize loss and damage incident to earthquakes, etc.

The action taken in placing the customs bodegas L and M under the administrative control of this bureau for warehouse purposes has greatly facilitated the transaction of business in the hardware division. About one-half of the stock formerly carried in the main warehouse has been transferred to said bodegas. Heretofore the stock carried in this division was out of all proportions to the space it occupied in the main warehouse. In other words the space was not sufficiently adequate to permit of the systematic arrangement of the stock in such a manner as to make it convenient to handle. The situation in this respect was a serious drawback and resulted in complicating matters both in property accounts and the taking of actual inventories. This condition of affairs, however, is gradually growing better and it is practically certain that with the progress now being made in arranging and segregating items of property, the transaction of affairs in connection with the property division will, as a matter of course, be more conveniently and expeditiously conducted from now on.

Relative to the stationery, furniture, and drug divisions it can be reliably said that there have been no serious drawbacks or material interruptions to contend with in the general conduct of affairs in these divisions during the period of the fiscal year covered by this report. The property in these divisions is also systematically arranged and all business transactions are conveniently and expeditiously handled.

COAL YARDS.

The two coal yards, known as Calle Pan and Engineer Island yards, maintained and operated under the administrative supervision of this bureau are managed and conducted on a strictly economical basis, and all transactions incident to receiving and shipping coal are characterized by promptness and dispatch. This laudable condition of affairs can be largely attributed to the painstaking efforts of the superintendent in immediate charge.

Efforts have been made from time to time to have a suitable and substantial fence constructed around the Calle Pan yard, but as yet, as far as I can understand, no arrangements have been made with a view to bringing about this desired and much-needed improvement. It is therefore recommended that steps be taken in this matter in order that a substantial fence be erected in place of the extremely flimsy one that now disgraces the premises.

Statement of coal received at the Manila yards and shipments made to outlying stations.

	Tons.	Pounds.
Calle Pan yard.....	9,383	104
Engineer Island yard.....	19,071	862
Total to Manila.....	28,454	966
Iloilo.....	1,604	1,018
Zamboanga.....	2,005	806
Cebu.....	1,000	
Tacloban.....	1,000	
Romblon.....	614	
Legaspi.....	859	
Total to provinces.....	6,582	1,826
Total to Manila and provinces.....	35,037	552

RECEIVING OFFICE.

The receiving office, as a careful inspection clearly indicates, is efficiently and commendably conducted. In view of the comparatively few complaints registered by requisitioners on account of faulty or inferior supplies furnished, and the tendency on the part of certain merchants to resort to deceptive tactics in the matter of furnishing fictitious and inferior articles when they get an opportunity, it will be seen that great care and strict application to duty must necessarily be exercised in order to judiciously protect the interests of the govern-

ment. Practically all of the supplies purchased by this bureau are carefully inspected in the receiving office and accepted if found to be first class, or, on the other hand, promptly rejected if they do not measure up to specific requirements.

CITY AND PROVINCIAL SHIPPING OFFICES.

During the fiscal year there were shipped by the provincial shipping office, 138,321 packages of supplies weighing 8,901 tons to requisitioners in the provinces. Of these supplies 5,915½ tons were shipped by water transportation and the balance, 2,985½ tons, by rail. To cover the shipment of these supplies it was necessary to issue 4,379 bills of lading and 8,849 serial receipts. During this period the supplies delivered by the city shipping office necessitated the issuing of approximately 16,151 serial receipts. These offices are conducted by capable and painstaking employees, and those in immediate charge of operations are entitled to special praise for the satisfactory manner in which they discharge the duties which they are required to perform.

Regarding the personnel of the main office in connection with this division, I am pleased to say that it is made up of capable, efficient, ambitious, and painstaking clerks who never lose an opportunity to manifest their desire and earnestness to perform in a satisfactory manner all of the duties incident to their respective positions.

Respectfully submitted.

J. W. McFERRAN,
Chief, Property Division.

The PURCHASING AGENT, BUREAU OF SUPPLY.



APPENDIX C.

REPORT OF ACTING DIRECTOR OF PRISONS.

DEPARTMENT OF PUBLIC INSTRUCTION,
BUREAU OF PRISONS,
Manila, June 30, 1907.

SIR: I have the honor to submit herewith the annual report of this bureau for the fiscal year ended June 30, 1907.

DISTRIBUTION OF PRISONERS.

Prisoners in charge of the bureau of prisons, other than provincial prisoners, on June 30 are distributed as follows:

Bilibid Prison	3,380
Hospital "B"	153
Iwahig penal colony	473
Provincial Prison, Bulacan	12
Provincial Prison, Samar	4
Provincial Prison, Laguna	200
Calarian Prison (Moro Province)	7
Culfon leper hospital	1
Hospicio de San José	13
San Lazaro Hospital	58
Luneta police station	19
Total number prisoners	4,320

On June 30, 1906, the total number of prisoners was 4,539, a decrease of 219.

BILIBID PRISON.

The prison population on June 30, 1906, was 3,711, and on June 30, 1907, 3,533, a decrease of 178, or nearly 4½ per cent.

The average daily number of prisoners in confinement at Bilibid Prison for the year 1906 was 3,700, and the daily average number for this year was 3,699½, or practically no change.

Changes in population are accounted for as follows:

On hand June 30, 1906	3,711
Received by commitment	3,217
By transfer from other places of confinement	534
	3,751
	7,462
Released by expiration of sentence	2,077
Released on bond	68
Cases dismissed	124
Released by order of court	19
Pardoned	242
Escaped	1
Deported	43
Executed	24
Paroled	10
Died	160
Transferred to other places of confinement	1,161
	3,929

On hand June 30, 1907

From the foregoing it will be seen that 3,751 prisoners were brought into Bilbid Prison during the year and 3,929 taken out, making it necessary for the bureau to handle a total of 7,680 prisoners, or an average of over 21 prisoners every day in the year, including Sundays and holidays.

MAINTENANCE.

The gross cost of maintenance, which includes all expenditures for salaries and wages of officers and employees of Bilbid Prison (except those in the industrial division), subsistence, office and prisoners' supplies, illumination, burial expenses, hospitals, gratuities, transportation to their homes of discharged prisoners, general repairs and improvements, per capita for the year, was ₱158.64+, or a daily average cost of ₱0.434+. This includes Iwahig penal colony and cost to this bureau of the prisoners maintained at other places outside of Bilbid Prison.

The daily per capita cost per prisoner for Bilbid Prison, exclusive of Iwahig penal colony, was ₱0.438, and for the Iwahig penal colony ₱0.413. The net cost of maintenance of prisoners for the year at Bilbid Prison was ₱0.384, at Iwahig penal colony ₱0.407.

SUBSISTENCE.

The average per capita cost of subsistence for prisoners during the past year has been as follows:

Bilbid Prison:	
Americans and Europeans	0.3945
Natives and Asiatics .....	.1514
Hospital A (Bilbid) .....	.2703
Hospital B (tubercular) .....	.2615
Iwahig penal colony .....	.139

DISCIPLINE.

There has been a steady improvement in the conduct of prisoners during the year, as will be seen by the following classification table:

	Per cent.	
	1906.	1907.
First-class prisoners	63.42	72.24
Second-class prisoners	18.92	18.81
Third-class prisoners	15.77	8.96

HEALTH.

The report of the prison physician, who represents the bureau of health, has been submitted to the director of health and is embodied in his annual report.

IMPROVEMENTS AND REPAIRS.

The following improvements have been completed during the past year: One new pavilion; new warehouse; new entrance; remodeling salesroom and offices; new oil house; four new automatic gates; lumber shed; prison yard raised and graded; grounds filled and parked; and the erection of a new hospital and walls inclosing same begun.

IWAHIG PENAL COLONY.

This colony was established November 16, 1904, 60 prisoners being sent there to prepare the place for occupancy, erect buildings, clear the grounds, etc. One hundred more prisoners were sent in January, 1906, and others at irregular intervals, as conditions warranted. During the past year 245 prisoners were sent to the colony and 195 returned, leaving on June 30, 1907, 473 prisoners.

In September, 1906, Maj. John R. White was placed in charge of the colony as superintendent and since he has assumed charge there has been a marked improvement in the development of the colony in every direction. He has

submitted a complete report of all work accomplished, and as it contains much information that can not be included in this report, I am inclosing the same for your information and such use as you may desire to make of it.

INDUSTRIAL DIVISION.

The following is a statement of the work accomplished by the industrial division during the past year:

For bureau of prisons.....	₱207, 836. 14
Other government work.....	59, 970. 64
For the public.....	50, 446. 60
Total product.....	318, 253. 38
Costing:	
For material.....	₱154, 571. 64
For prison labor.....	68, 817. 87
For free labor.....	9, 638. 05
For superintendence.....	27, 570. 05
For shop supplies, power, etc.....	14, 764. 99
For maintenance.....	2, 355. 11
For office expenses, etc.....	23, 164. 76
	300, 872. 47
Net profit.....	₱17,380. 91

(No profit charged on prison work.)

On April 1, 1907, the city shops were transferred to the industrial division and the total product will be greatly increased during the coming year.

Marked progress in proficiency has been shown by the prisoners employed in this division, and all articles are being turned out in less time and in a more workmanlike manner. Six hundred and forty-five prisoners are being taught trades, are interested in their work, as a rule, and are becoming fitted to support themselves on release instead of becoming a burden on the community.

PROVINCIAL PRISONS.

On June 30, 1907, there were 1,136 prisoners confined in the provincial prisons. This number includes 107 prisoners sentenced to more than two years. This bureau knows of no law whereby prisoners can be retained in provincial jails when sentenced to more than the term of two years, except by executive order.

Several of the provinces have sent the wardens of the provincial jails to this bureau for a course of instruction in their duties, with the best of results, and it is desired to continue this until all have taken the course, thereby insuring uniformity in the discipline and care of prisoners throughout the provinces. Owing to one of the officers of this prison being absent on leave for six months of the past year and the director for three months, very few of the provincial jails have been inspected, but all of them will be visited during the coming year, and any recommendations in regard to them will be made at that time.

STATISTICS.

There are submitted herewith tabulated statements and tables showing the workings of the various divisions of this bureau, to which your attention is respectfully invited.

Respectfully submitted.

M. L. STEWART,
Acting Director of Prisons.

The SECRETARY OF PUBLIC INSTRUCTION,
Manila, P. I.

Detailed statistics giving the following information have been omitted and are on file in the Bureau of Insular Affairs, War Department:

Reports of chaplains of presidio and carcel.

Location of prisoners.

Income and expense statement.

Appropriation statement.

Condition of prisoners' deposit fund.

Work done by prisoners and products.
 Statement of sales.
 Rations.
 Identification cards.
 Daily count of prisoners during the year.
 Sexes and changes in prison population.
 Length of sentence of prisoners.
 Courts by which prisoners were committed.
 Crimes for which commitments were made.
 Nativity of prisoners.
 Age of prisoners when received for confinement.
 Occupation and conjugal condition of prisoners.
 Number of convicts punished, length of sentence, and number of times punished.
 Educational attainments of prisoners.
 Prisoners in provincial prisons.

REPORT OF SUPERINTENDENT OF IWAHIG PENAL COLONY.

IWAHIG, PALAWAN, P. I., July 1, 1907.

SIR: I have the honor to submit the following report for the fiscal year ended June 30, 1907:

Reference will frequently be found to events antedating this period; as it has seemed proper to embody in this report a résumé of conditions since the inception of the colony in November, 1904.

The following table shows movements of colonists from November 16, 1904, to June 30, 1907:

Number of colonists received.....	889
Number of colonists died.....	128
Number liberated by expiration of sentence.....	179
Number returned to Bilbid for confinement on account of bad conduct.....	88
Number escaped—fate unknown or died.....	27
Number present June 30, 1907.....	467
	889

The following table shows number of colonists in each release period, counting good-conduct time:

Number of colonists with time to serve.

Time to serve.	Number.	Time to serve.	Number.
Life.....	21	5 years.....	47
18 years.....	1	4 years.....	40
11 years.....	1	3 years.....	67
10 years.....	7	2 years.....	57
9 years.....	11	1 year.....	107
8 years.....	17	Less than 1 year.....	62
7 years.....	17		
6 years.....	12	Total.....	467

THE COLONY FROM NOVEMBER 16, 1904, TO SEPTEMBER 4, 1907.

On November 16, 1904, 60 prisoners were sent from Bilbid to Iwahig. These were followed by 100 in January, 1905, and others at irregular intervals during the year 1905 until on January 1, 1906, there were 300 prisoners at the colony. During 1906 about 25 prisoners were sent down monthly until on September 5, 1906, the date on which the undersigned took charge, there were 478 men at the colony.

From November 16, 1904, to September 4, 1906, the prisoners were engaged in getting out materials from the forests and swamps, building quarters, and planting quick-return crops.

Two large dormitories, capable of holding about 150 men each, were constructed together with a mess hall, kitchen, hospital, general stores and commissary buildings, and a house for the colony physician. The buildings were of bamboo, nipa, and poles.

About 150 acres of land were partially cleared of second growth and cogon; from about 50 acres all stumps were grubbed, and in the spring of 1906, 120 acres were sown with upland rice and 10 acres with beans and corn. The rice produced well, but as no storage room nor means of transporting and handling the crop had been provided a quantity of it was lost and more molded. It was necessary to thresh the palay in the mess hall and to store it in the men's dormitories.

No roads or paths were constructed, and the cart tracks used during the dry season became quagmires during the rains.

From the beginning the health of the men was very bad. Beri-beri, dysentery, and malaria carried off many, and from 20 to 30 or even 40 per cent were constantly sick. The employees also suffered from repeated attacks of malarial fever. The cause of the sickness and deaths in 1905 and 1906 was the insanitary condition of the plaza and surroundings, together with the almost exclusively rice and meat diet of the prisoners.

Discipline was not good. There were several escapes and one serious revolt in which over 100 prisoners took part.

No definite policy was adopted for the colony, so that neither the prisoners nor the officers knew exactly what to expect or do.

PROGRESS OF THE COLONY 1906-7.

The number of men at the colony has fluctuated from 520 to the present strength of 467. The idea has been to receive men at longer intervals—say six months—and to keep the strength at about 500 men until a definite policy has been adopted and authorized for the development of the colony.

In September, 1906, all work was divided into divisions which have been changed and remolded from time to time until the following are now comprised: Farming, roads, forestry, construction, transportation, serving, health, and executive. Each division consists of from 20 to 100 men, farming being the largest, with 117, and executive the smallest, with 19. Work is mapped out ahead and men are not taken from that of their divisions except in an emergency, such as the harvesting of a crop or repair of a road, when other work may be temporarily suspended.

Assistants or colonists are in charge of divisions. On June 30, 1907, the farming and roads divisions were directed by assistants, the other divisions by three Filipino and one American colonists.

The American and Filipino colonists have been found to respond to the responsibilities thrust upon them and direct the work of their divisions energetically and intelligently.

The farming division is subdivided into three departments: (1) Industrial plants and gardens, (2) home farm, (3) Kabulbug farm (across river).

For purposes of discipline and checking men colonists are divided into squads of about 25, each with a foreman (capataz) in charge. A chief foreman and assistant supervise and check all squads. In addition to the discipline of their squads these foremen direct work and are usually skilled plowmen, carpenters, foresters, etc.

At 6.30 p. m. daily all division chiefs and foremen of squads report at the superintendent's office, when changes in work or distribution of men are made and various questions adjusted. This evening report has been found a very valuable feature.

The work accomplished during the past ten months will now be briefly considered by divisions:

FARMING DIVISION.

In September, October, and November, 1906, the greater part of the labor of this and other divisions was employed in harvesting and threshing upland palay, sown on 120 acres in April and May. In all about 120,000 pounds of palay were harvested and owing to lack of storage, transportation, and threshing facilities nearly half of it molded and became unfit for food. Until irrigation is provided it is thought inadvisable to attempt to grow rice for the colony. The labor used in harvesting, threshing, and hulling by primitive native methods makes the cost of growing upland rice prohibitive. Irrigated rice, which may be safely

harvested during the dry season, may turn out very well here. An acre is being experimented with this year.

With the exception of a short period in May and June the kitchen has been kept supplied with vegetables, such as camotes, gages, ubes, petsal, mustard, patolas, carrots, calabaza, corn, etc., thus effecting a considerable reduction in the cost of rations. Many packages of seeds have been received from the relatives of men in different provinces throughout the archipelago. The men have been encouraged to get their relatives to send seeds by being given postage stamps sufficient to cover postage on small packages. The consequence is that now we have seeds from almost every province, and that in years to come almost every variety of fruit or ornamental tree known in the Philippines will be found at Iwahig.

Beans and mongos are crops from which much is expected. There are now 20 acres under cultivation in these crops, and this area will be extended within two months. With regard to these quick-return crops, however, I speak with the mental reservation that it is not yet certain that they can be economically handled here. The labor expended in cultivating, poling, harvesting, and transporting during the rainy season may make their cost prohibitive.

It is on the permanent plantations of coco, cacao, coffee, and other successfully grown Philippine crops that the prosperity of the colony must finally depend. During the past few months preparation has been made for the rainy season planting, just now begun. Ten thousand coconuts have been locally purchased and are now sprouted in beds; 2 acres are already planted in cocos, and the whole 10,000 will be set out on 200 acres during the present rainy season. Six thousand cacao and 2,000 coffee seedlings were prepared in beds, and 6 acres are already planted in cacao and shade trees for same. It is expected to set out from 20 to 40 acres during this season.

Fruit trees such as papaya, nangka, atis, guayabanos, guavas, anonas, sam-palok, camachile, etc., have been set out in large numbers.

Ornamental trees, shrubs, and flowers have been planted around all houses, along roads, and on the plaza. They are already beautifying the colony.

Seventy acres of land were cleared of forest, 150 were cleared of second growth and cogon, and from 55 stumps were grubbed, anthills leveled, and land drained.

Tobacco was grown experimentally on half an acre, and 656 pounds of fair quality were harvested and baled.

Corn was grown on 25 acres, 2,868 pounds of corn meal having been produced and fed to men, and 1,200 pounds of corn fed to horses, cattle, and hogs.

Most of the farm work has been empirical, at least for us. Some mistakes have been made, but small successes have pointed out the way to larger ones to come.

The Filipino colonists take keen interest in their work and in the use of American plows and farming implements. It would be difficult to overestimate the value to the community at large of the training which colonists here receive. It is well known to be almost impossible to introduce modern farming implements and methods among a conservative native population; but the colonists from Iwahig returning to their homes may well prove the leaven which will improve agricultural methods in all the provinces of the archipelago.^a

ROADS DIVISION.

Since October, 1906, from 30 to 75 men have been daily at work making, metalling, and repairing roads. Work was started October 2, 1906, on the first road, which is 2 kilometers in length (1½ miles) and extends from the north end of the headquarters plaza to the lower wharf. An extension of three-fourths of a kilometer of this road was later built, running from the south end of the plaza to Sugud along the Iwahig river. A short road of 1 kilometer runs from the west side of the plaza to the cess and rubbish pits. The above roads are well metalled with sand, gravel, and broken rock. There are 14 bridges with an average span of 23 feet, and numerous culverts, all built of wood.

A farm road, dirt-graded, 1½ kilometers in length traverses the home farm, and horse trails to different points on the reservation were opened up and cleared of logs and brush.

^a A statement of farm work and farm products has been omitted and is on file in the Bureau of Insular Affairs, War Department.

Four substantial wharves were built at different points along the Iwahig river, and large areas of swamp and low-lying land were filled and graded.

A "camlnero" system has been instituted for the repair and upkeep of the roads, with numbered sheds placed at suitable intervals for shelter of men, rock breaking, etc.

FORESTRY DIVISION.

The work of this division is the getting out of forest materials such as bejuco, bamboo, logs, poles, palma-brava, nilpa, etc., and preparing them for construction work. From 50 to 80 men have been engaged, some of whom cut and hauled materials from the forest and swamps while others worked in the sheds stripping poles and bejuco, sewing nilpa, sawing logs, making rope, etc. Good rope is made from the bark of the "bago" and dangli also from the different rattans.

The principal woods used in construction are the ipil, hagakhak, amugufs, tuwf, and dalinsin.

Forest materials are used to make all our furniture, baskets, yokes and bows, rope, etc., the object always being to order as few supplies from Manila as possible, substituting therefor colony products even though sometimes of inferior grade and usefulness.^a

CONSTRUCTION DIVISION.

This division consists of from 30 to 60 men, carpenters, blacksmiths, tinsmiths, cabinet and chair makers, etc. Houses, camarins, sheds, etc., have been built, enlarged and repaired; farming implements such as plow beams, yokes, bows with carts and sleds have been made and repaired, and furniture, baskets, chairs, tables, wardrobes, cupboards, file cases, etc., have been made.^b

TRANSPORTATION DIVISION.

This division consists of the boatmen, cartmen, scavengers, and linemen, 30 men in all. About 7 carabaos and 4 bulls are used daily for carts, etc., and other work divisions needing transportation for construction materials, crops, etc., make daily requisition for carts, sleds, etc. Men from this division have also been often used for work of drainage and sanitation around buildings. There are two launches and three rowboats which are used to transport freight from Puerto Princesa and vice versa, to get out materials, from swamps and to transport men, materials, crops, etc., from point to point on the river. We have had a great deal of trouble with the launches, one or the other and often both, being broken down. Finally a small stern-wheel steamer should be provided for the colony, as our logical line of development is along the river when possible.

SERVING DIVISION.

This division consists of the cooks, bakers, barbers, lamplighters, tailors, sexton, washermen, servants, fishermen, etc. It performs all the chores for the colony, and the number of men in the division has varied from 60 to 70. More labor is devoted to the menial work of the colony than is justified from an economic view point, as all water is carried by hand from the river, while all refuse is taken several hundred yards to the cess pits. The cost of the institution of a proper water and sanitary system would soon be saved in the value of the labor.

HEALTH DIVISION.

Though the progress made by all divisions has been satisfactory the work of the health division as shown by the improved health of the whole community has been the most encouraging. The following figures speak for themselves:

Death rate:	Per 1,000
1905.....	261
1906.....	118
1907 (six months).....	25

^aA table of forest products has been omitted and is on file in the Bureau of Insular Affairs, War Department.

^bA statement showing construction work accomplished and articles manufactured has been omitted and is on file in the Bureau of Insular Affairs, War Department.

Percentage of daily strength sick:

	Per cent.
1906—	
September	19.01
October	15.60
November	15.00
December	7.41
1907—	
January	4.98
February	3.14
March	3.15
April	3.28
May	2.46
June	2.77

Since its inception 128 men have died out of 889 who have been to the colony at one time and another.

Beri-beri, dysentery, and malaria were the endemic diseases at Iwahig. The first two have been eradicated and the last is well in hand. The factors in the improvement of conditions have been the improvement and adjustment of rations, institution of a sanitary system with removal of cess pits from vicinity of quarters, drainage and filling of swamps, regular sanitary inspections, together with every known variety of prophylaxis against malaria.

Disease and high mortality have almost been considered inseparable from jungle clearing and land breaking in the Tropics, but our experience has shown that these conditions are in a great measure preventable. Close to the men's dormitories and around all the dwelling houses the ground was unlevel and badly drained. Several acres have been leveled, plowed, and cultivated, while canals have been dug to carry off all water immediately after rains. This sanitation has occupied more labor than any other work at Iwahig, but results have more than justified the expense.

There are 12 men in the health division as hospital servants.

SUBSISTENCE.

Much study has been given this question in order that the most healthful, economical, and satisfactory ration may be had. Colonists receive for breakfast coffee, bread, and either a little sweet mush or a small portion of vegetable stew; for dinner, rice with a meat and vegetable stew or fish dried or fresh, with condiments or smaller portions of both at once; supper the same as dinner. The fruits from the trees on the farm, nangka, mangoes, plantains, etc., have been harvested and served to the men as part of the ration.

Every evening the chief foreman, chief cook, and the commissary steward—the latter an American—consult relative to the ration for the next day, when an issue list is prepared and presented to the superintendent for approval. This list shows the itemized cost of the ration for the following day.

Every day at 10 a. m. the chief cook brings to the office mess pans containing cooked rations, which are sampled by the superintendent.^a

The purchase of beef cattle and pigs in the open market of Palawan and neighboring islands has proved a great economy.

STOCK FARM.

On June 30, 1907, there were on hand the following animals:

Beef and work cattle and cows	166
Carabaos	11
Pigs	44
Horses	3

Of the cattle 20 are cows, which have given birth to 10 calves during the past six months, included above.

The cattle are kept at Bolikaw, Mangahan, and Tagbuni. Ten herdsmen are daily engaged, and there is a chief herdsman, with rank of foreman, who is held responsible for the cattle and for checking and distributing all animals.

^aA statement showing daily cost of ration has been omitted and is on file in the Bureau of Insular Affairs, War Department.

The reservation will easily support several thousand head of cattle, and no time should be lost in breeding the same.

The pigs are kept in a corral on the home farm and are fed from the kitchen refuse and farm waste. Many hundred may be thus supported. There have been 11 pigs born during the past six months. The corral was only started in January, and it has been difficult to purchase pigs locally.

OUTLYING STATIONS.

Houses and camarines have been built at suitable places at some distance from headquarters, in which are stationed good-conduct men whose work is in the vicinity of the buildings.

Laya.—Here are 12 men who were found living with women in shacks close to headquarters in September, 1906. As quickly as communication is had with their natal barrios they are being married to their women. There are several children. In eight months these families have built 12 neat houses, fenced and cultivated 15 acres of land, and, in fact, have formed a neat-looking barrio, with every prospect of prosperity within a year or two.

Santa Teresa.—Three-fourths of a mile from headquarters. Here are stationed 20 men under Spanish Colonist Juan Giner. Five acres are under cultivation. This place will later be the main landing for Iwahig. Here also is a chicken ranch, with now about 200 fowls.

Kabulbug.—Five hundred yards from headquarters and connected with Santa Teresa. Six men live here and there are 20 acres under cultivation.

Tagbuni.—One and a half miles from headquarters, and four herdsmen live here at the stock farm.

Mangahan.—Four hundred yards from headquarters. Ten men live here, where there is a nursery garden and a corral for the work cattle used on the home farm. During the dry season the kitchen garden will be here.

Binuan.—The fish traps at the mouth of the Binuan River are 5 miles from Iwahig. Ten men are here stationed, fishing for the colony. They bring both fresh and dried fish, averaging from 20 to 30 pounds a day, to Iwahig.

There are other houses scattered around the home farm.

CONDUCT OF COLONISTS.

The conduct of the men has been, generally speaking, excellent. The principal offenses have been breaches of minor rules and the sneaking outside of the reservation to visit neighboring barrios. There were only three thefts in three months. Discipline is excellent and maintained in large part by the men themselves. Fruit ripening on the trees is rarely if ever touched. Harvested crops, supplies, etc., are frequently left in open camarines with perfect safety. The men realize, so to speak, that they are on honor and respond immediately to just and kind but firm treatment.

There should, however, be more incentives to work and good conduct, with opportunity for deserving men to rehabilitate themselves within reasonable time and become free citizens at Iwahig.

The bringing of families and marriageable women to the colony is the step which will do most to put the seal of permanency on the institution.

The whole matter of the development and future of the colony has, however, been gone into fully by the undersigned in a communication to the director of prisons.

POLICE FORCE.

A police force of 25 men has been gradually formed. They are well disciplined, fairly drilled, and are constantly improving in efficiency. They are uniformed in cañamo with red piping, brass buttons, ornaments, etc. They carry clubs and machetes. On June 4 six of the police force pursued and captured just outside the reservation four out of five fugitive colonists who had run away the night before. There are two regular posts and three patrols.

REMARKS.

Granted that the object of modern penology is the reformation as well as the punishment of the offender, penal colonies should occupy an important place in the prison scheme of a government which has vast areas of virgin

land to be exploited. Colonization may well be the pioneer of civilization in Palawan and other islands, as in great measure—even with a haphazard system—it was under the Spanish rule in Mindanao.

By careful choice of the original subjects for colonization, appeal to their personal initiative by means of graduated rewards or punishments, with the redevelopment of proper instincts through grants of land and formation of homes, there seems no reason to anticipate anything but success for penal colonies in these islands.

Respectfully submitted.

JOHN R. WHITE,
Superintendent Iwahig Penal Colony.

THE DIRECTOR OF PRISONS,
Manila, P. I.

APPENDIX D.

REPORT OF THE DIRECTOR OF PRINTING.

DEPARTMENT OF PUBLIC INSTRUCTION,
BUREAU OF PRINTING,
Manila, P. I., August 7, 1907.

SIR: I have the honor to submit the following report of operations of the bureau of printing for the fiscal year 1907:

There were carried over to the appropriation for the year ₱74,128.02 to meet outstanding obligations of the fiscal year 1906. To furnish the necessary funds for the prompt settlement of current obligations, by reason of delays necessarily incident to the collections under a reimbursable appropriation, there were appropriated ₱50,000 in act No. 1527. Collections for printing and binding and the receipts from all other sources amounted to ₱425,025.57, making the total available funds for the year ₱549,153.59. Disbursements amounted to ₱409,715.37, leaving an available balance of ₱139,438.22. Of this sum, 10 per cent of the value of the equipment on hand June 30, 1906, was set apart as a separate fund to provide for renewals due to wear and tear. This amounted to ₱33,790.47 for the year, of which ₱7,414.55 were expended, leaving ₱26,375.92 on hand. Obligations incurred on unfilled requisitions, orders placed, and unpaid salaries and wages amounted to ₱69,646.53. (Table No. 1.)

Table No. 2 gives the value of the product of the bureau as computed under the revised scale of prices and the actual cost of producing the same. The difference amounted to ₱63,408.58. Of this sum, ₱62,953.34, or 14 per cent of the billed charges to the insular bureaus, city of Manila, and the provincial governments, were deducted as credits on the monthly statements, and an undivided surplus of ₱455.24 has been carried to the fiscal year 1908.

Table No. 3 shows the property assets of the bureau on June 30, 1907, as shown by inventory. Deducting the value of articles condemned, transferred, or sold, the cost of equipment on hand on that date was ₱444,350.83; of supplies, ₱49,697.93; printing paper, ₱65,403.89; stock forms, ₱36,926.09; a total of ₱596,378.74, not including the value of the public documents, Gazettes, and Journals of Science kept for sale, the estimated selling price of which amounts to ₱120,000. The creation of an equipment fund makes it necessary to disregard the previous deductions for wear and tear, for the reason that no actual funds were set aside, and were mere paper deductions.

Public documents to the value of ₱8,927.46 were sold, credits for which sales, less the postage and cost of handling (₱1,087.82), were given the respective bureaus for which printed. (Table No. 4.)

Receipts from subscriptions and sales of the *Gaceta Oficial* give a credit balance of ₱1,054.68 above the cost of printing, postage, and handling; for the *Official Gazette* a debit balance of ₱3,442.85; and for the *Journal of Science* a debit balance of ₱12,562.82. On June 30, 1907, the number of subscribers to the *Gaceta Oficial* was 852; the number of free copies distributed each week, 645. Of the *English Gazette*, 248 were to subscribers, and 138 copies were delivered free each week. The number of cash subscribers to the *Journal of Science* was as follows: General science section, 145; medical section, 147; botany section, 130. Free copies and those sent to agencies and to subscribers not prepaying were forwarded by the bureau of science. (Tables Nos. 5-7.)

There were executed for the insular government 5,027 work orders, with a total value of ₱342,614.70; for the provincial governments, 6,823 orders, with a value of ₱99,996.80; for the city of Manila, 500 orders, with a value of ₱12,540.35; and for the Federal Government and outside parties, 963 orders, with a value of ₱14,446.49 (chief commissary, ₱2,682.12; U. S. Marine Corps, ₱1,409.31; fleet paymaster, ₱289.85; medical supply depot, ₱46.50; chief quartermaster, ₱237.90; U. S. Engineer Corps, ₱131.30; Manila ordnance department,

₱10; outside parties, ₱9,639.51). Credits of ₱47,198.16 were given the insular government, ₱13,990.54 to the provincial governments, and ₱1,755.64 to the city of Manila. (Table No. 8.)

Deliveries for the year were as follows: By wagon, 16,476 packages, weighing 326,881 pounds; by mail, 500 packages, weighing 1,344 pounds; and by freight, 970 packages, weighing 132,870 pounds. In addition, there were 1,949 pounds of Official Gazettes, 6,319 pounds of Gacetas Oficial, and 12,340 pounds of Journals of Science delivered.

Volumes III, IV, V, and VI of the Philippine Reports (supreme court decisions), in both English and Spanish, were executed during the fiscal year 1907. Volume VII and part of Volume VIII were put in type, excepting the preliminary matter and indexes, thus bringing them current.

Printing maps, ballots, and election forms for the city of Manila and outside municipalities cost ₱9,600.96, of which forms to the value of ₱358.41 are on hand.

Twenty-six apprentices graduated during the year, and there were 55 under instruction on June 30, 1907.

Several of the native employees have been employed as assistants to the foremen by being assigned to take charge of certain specialties. On February 1, 1907, notices were posted in each trade division stating that the bureau of civil service would be asked to hold examinations in English to test the fitness of applicants for positions as assistants.

Filipino employees are being taught the specialties of jacket writing, computing, copy reading, and proof reading. Upon the transfer of the American bookkeeper and cashier a Filipino was assigned to his work, and natives have been substituted as property clerks in lieu of Americans.

Experiments are being made with the three-color half-tone process. It is hoped satisfactory results will be obtained, that a saving may be effected in the lithographic contracts. One of the American employees has been using a part of his leave in the United States in an endeavor to study the process in three-color establishments, but the commercial firms are jealously guarding the intricate details and are disinclined to give instruction or to permit a knowledge of their methods.

An endeavor is being made by the local merchants to prevent what they claim to be unfair competition on the part of certain insular bureaus, and this plant has been cited as an instance. There is no substance to these complaints. Not only has this bureau not entered into any unfair competition with outside firms, but it has steadfastly refused to submit any competitive bid, not even to branches of the Federal Government. No work has been undertaken for outside parties except where there are no facilities, or no adequate facilities, for its execution by local establishments. Outside of this bureau there is not a photo-engraving, stereotyping, or electrotyping plant in the islands, and all work of such character is undertaken for that reason, and most of the orders are made for the newspaper and job printing offices of Manila. In that respect it is a convenience and help to the complainants, as an independent undertaking, apart from government work, would not be remunerative.

The insular government has sufficient data to demonstrate the comparative merits of the contract system and government ownership with respect to its printing and binding. In economy, in the training of artisans, in the grade of work executed, and in the welfare of its citizen employees the advantages are with this bureau.

In a communication to the secretary of public instruction in 1901 the insular auditor estimated the cost of printing executed under contract to the insular government at ₱500,000 per annum. At that time there was little or no printing done for the provinces. Many of the present bureaus which are heavy consumers of printing were unorganized, the bureau of internal revenue alone requiring the value of ₱47,218.80 during the past fiscal year. There were no Official Gazettes or Journal of Science; no Philippine Reports; no annual reports of the several bureaus (reference being made to the substantial ones of the weather bureau, executive bureau, insular auditor, and municipal board). Neither did it include such extra printing as was executed for the Philippine Exposition board, census bureau, and for popular elections. With more than twice the printing executed it has cost much less to produce. Attention is especially directed to the cost for the insular government. Deducting the amounts paid by the city of Manila and the provinces, the net cost to the insular government has been as follows: 1903, ₱334,076.44; 1904, ₱284,335.68; 1905, ₱280,384.12; 1906, ₱283,858.30; 1907, ₱283,486.94.

It is needless to argue as to the advantage accruing to the Filipinos in training under a competent corps of craftsmen instructors, in a well-equipped plant, with the most modern machinery, as compared with that received in an office where profits are the first consideration.

With regard to the grade of work executed, the product is the best exhibit. There are sufficient testimonials on file from bureau chiefs and from commercial firms in the United States testifying to its quality. The difference between artistic and amateur printing arises almost entirely from training. Given the same material, and the completed product will speak for the efficiency of the workmen. Inasmuch as the government is a pronounced advocate of instruction in skilled trades, it does not, and should not, tolerate inferior product or slipshod methods in a manufacturing establishment more than in any other of its educational institutions.

In considering the compensation of its employees the government must give weight more to their welfare than do the ordinary commercial firms. It is obligated to treat its workmen on a fairer basis than exploitation. It must consider them as citizens and not as a commodity. On the other hand, it should not unduly affect the current market rates. Where preference is permitted as between profits to one man or one firm and the distribution to hundreds of employees, in any representative government the decision will naturally be in favor of the greater number.

Through the bureau of printing the insular government is acting in favor of the Filipino in a very material way. Interest is being taken in his welfare as a citizen by requiring attendance at night school, in his physical condition by encouraging outdoor sports, in economy and thrift by daily practice and by advocating regular deposits in the savings bank, and as a craftsman by providing thorough instruction in the several specialties of the respective trade divisions. In return the government receives a superior quality of product and vastly more economical service.

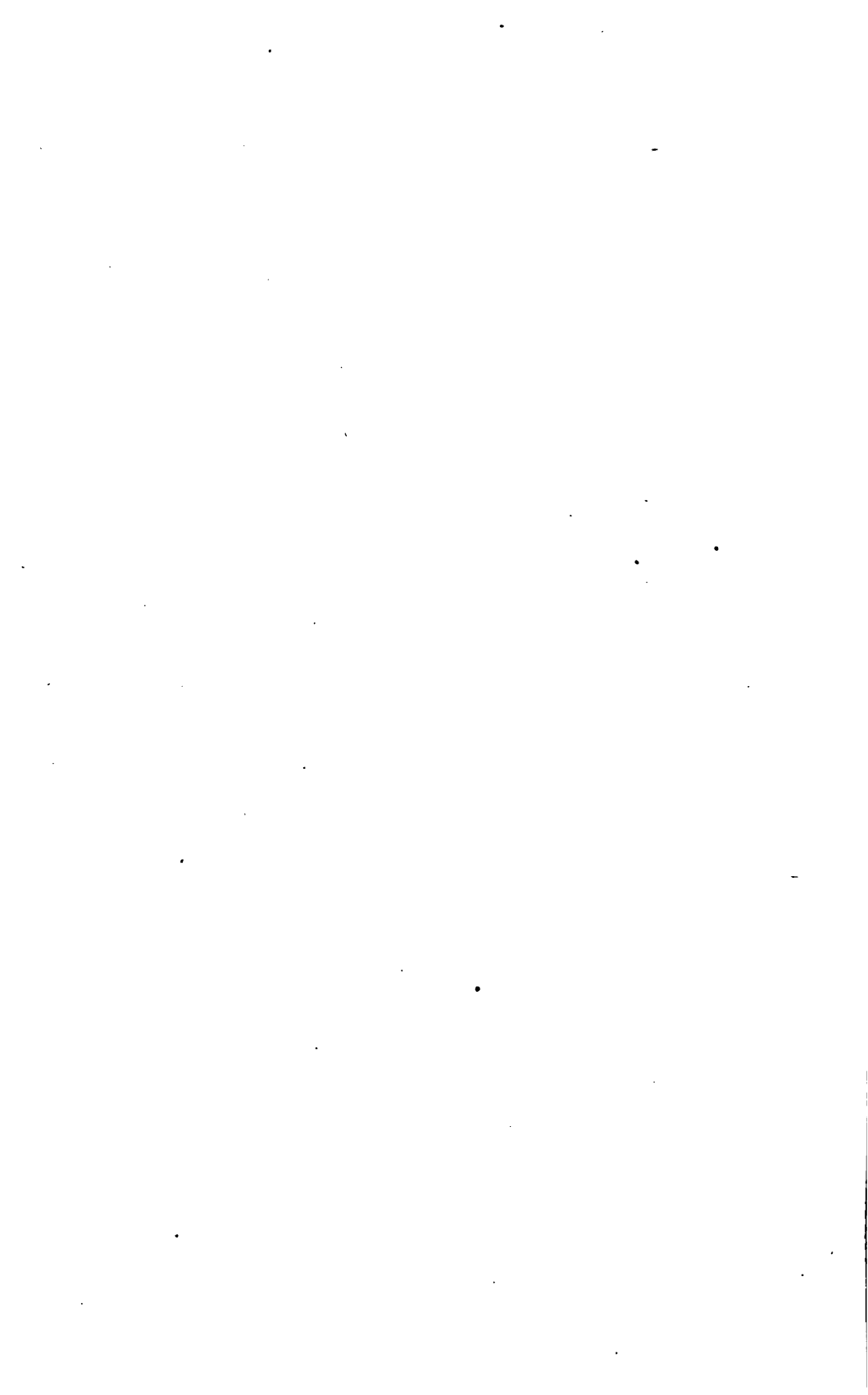
Respectfully submitted.

JOHN S. LEECH,
Director of Printing.

HON. W. MORGAN SHUSTER,
Secretary of Public Instruction, Manila, P. I.

The following tables referred to in the text have been omitted and are on file in the Bureau of Insular Affairs, War Department:

- Table 1. Statement of appropriation and expenditures.
- Table 2. Statement of production and cost of operation.
- Table 3. Statement of equipment, supplies, and printing paper.
- Table 4. Cash sales of public documents.
- Table 5. Account of the *Gaceta Oficial* (Spanish).
- Table 6. Account of the *Official Gazette* (English).
- Table 7. Account of the *Journal of Science*.
- Table 8. Printing and binding executed.



**SPECIAL REPORT OF THE SECRETARY OF WAR ON
THE PHILIPPINES.**

[Printed also as Senate Document 200, 60th Congress, 1st session.]



To the Senate and House of Representatives:

I transmit herewith the report of Secretary Taft upon his recent trip to the Philippines. I heartily concur in the recommendations he makes, and I call especial attention to the admirable work of Governor Smith and his associates. It is a subject for just national gratification that such a report as this can be made. No great civilized power has ever managed with such wisdom and disinterestedness the affairs of a people committed by the accident of war to its hands. If we had followed the advice of the misguided persons who wished us to turn the islands loose and let them suffer whatever fate might befall them, they would have already passed through a period of complete and bloody chaos, and would now undoubtedly be the possession of some other power which there is every reason to believe would not have done as we have done; that is, would not have striven to teach them how to govern themselves or to have developed them, as we have developed them, primarily in their own interests. Save only our attitude toward Cuba, I question whether there is a brighter page in the annals of international dealing between the strong and the weak than the page which tells of our doings in the Philippines. I call especial attention to the admirably clear showing made by Secretary Taft of the fact that it would have been equally ruinous if we had yielded to the desires of those who wished us to go faster in the direction of giving the Filipinos self-government, and if we had followed the policy advocated by others, who desired us simply to rule the islands without any thought at all of fitting them for self-government. The islanders have made real advances in a hopeful direction, and they have opened well with the new Philippine Assembly; they have yet a long way to travel before they will be fit for complete self-government, and for deciding, as it will then be their duty to do, whether this self-government shall be accompanied by complete independence. It will probably be a generation, it may even be longer, before this point is reached; but it is most gratifying that such substantial progress toward this as a goal has already been accomplished. We desire that it be reached at as early a date as possible for the sake of the Filipinos and for our own sake. But improperly to endeavor to hurry the time will probably mean that the goal will not be attained at all.

THEODORE ROOSEVELT.

THE WHITE HOUSE,
January 27, 1908.



SPECIAL REPORT OF THE SECRETARY OF WAR.

WAR DEPARTMENT,
Washington, D. C., January 23, 1908.

MR. PRESIDENT:

By your direction I have just visited the Philippine Islands. I sailed from Seattle September 13, last; reached Manila October 15; remained in the Islands until November 9, when I returned to the United States via Trans-Siberian Railway, reaching New York December 20. The occasion for my visit was the opening of the Philippine Assembly. The members of the Assembly were elected in July last, in accordance with the organic act of Congress, by the eligible voters of the Christian provinces of the Islands, divided into 80 districts. The Assembly becomes a branch of the legislature of the Islands coordinate with the Philippine Commission. This makes a decided change in the amount of real power which the Philippine electorate is to exercise in the control of the Islands. If justified by substantial improvement in the political conditions in the Islands, it is a monument of progress.

It is more than nine years since the battle of Manila Bay and the subsequent surrender of Manila by the Spaniards to the American forces. It is more than eight years since the exchange of ratifications of the treaty of Paris, by which the Philippine Islands passed under the sovereignty and became the property of the United States. It is more than seven years since President McKinley, by written instructions to Mr. Root, Secretary of War, committed the government of the Philippine Islands to the central control of the Philippine Commission, subject to the supervision of the Secretary of War. It is more than six years since the complete installation of a quasi civil government in the Islands, with a civil governor as executive and the Commission as a legislature, all by authority of the President as Commander in Chief of the Army and Navy. It is more than five years since the steps taken by President McKinley and yourself in establishing and maintaining a quasi civil government in the Islands were completely ratified and confirmed by the Congress in an organic act which, in effect, continued the existing government, but gave it needed powers as a really civil government that the President under constitutional limitations was unable to confer. The installation of the Assembly seems to be, therefore, an appro-

priate time for a precise statement of the national policy toward the people of the Philippines adopted by Mr. McKinley, continued by you, and confirmed by Congress, for an historical summary of the conditions political, social, and material, existing in the Islands when the United States became responsible for their government, and for a review of the results of governmental measures taken to improve the conditions of law and order, the political and intellectual capacity of the people, and their sanitary and material welfare.

The policy of the United States toward the Philippines is, of course, ultimately for Congress to determine, and it is difficult to see how one Congress could bind another Congress should the second conclude to change the policy declared by the first. But we may properly assume that after one Congress has announced a policy upon the faith of which a whole people has for some years acted and counted, good conscience would restrain subsequent Congresses from lightly changing it. For four years Congress in silence permitted Mr. McKinley and yourself, as Commanders in Chief of the Army, to adopt and carry out a policy in the Philippines, and then expressly ratified everything which you had done, and confirmed and made part of the statute certain instructions which Mr. McKinley issued for the guidance of the Philippine Commission in making civil government in the Islands. Not only this, but Congress closely followed, in the so-called organic act, your recommendations as to provisions for a future change in the Philippine government. The national policy may therefore be found in the course pursued and declarations made by the Chief Executives in Congressional messages and other state papers which have met the approval of Congress.

Shortly stated, the national policy is to govern the Philippine Islands for the benefit and welfare and uplifting of the people of the Islands and gradually to extend to them, as they shall show themselves fit to exercise it, a greater and greater measure of popular self-government. One of the corollaries to this proposition is that the United States in its government of the Islands will use every effort to increase the capacity of the Filipinos to exercise political power, both by general education of the densely ignorant masses and by actual practice, in partial self-government, of those whose political capacity is such that practice can benefit it without too great injury to the efficiency of government. What should be emphasized in the statement of our national policy is that we wish to prepare the Filipinos for *popular* self-government. This is plain from Mr. McKinley's letter of instructions and all of his utterances. It was not at all within his purpose or that of the Congress which made his letter part of the law of the land that we were merely to await the organization of a Philippine oligarchy or aristocracy competent to administer government and then turn the Islands over to it. On the contrary,

it is plain, from all of Mr. McKinley's utterances and your own, in interpretation of our national purpose, that we are the trustees and guardians of the whole Filipino people, and peculiarly of the ignorant masses, and that our trust is not discharged until those masses are given education sufficient to know their civil rights and maintain them against a more powerful class and safely to exercise the political franchise. This is important, in view of the claim, to which I shall hereafter refer, made by certain Filipino advocates of immediate independence under the auspices of the Boston anti-imperialists, that a satisfactory independent Philippine government could be established under a governing class of 10 per cent and a serving and obedient class of 90 per cent.

Another logical deduction from the main proposition is that when the Filipino people as a whole show themselves reasonably fit to conduct a popular self-government, maintaining law and order and offering equal protection of the laws and civil rights to rich and poor, and desire complete independence of the United States, they shall be given it. The standard set, of course, is not that of perfection or such a governmental capacity as that of an Anglo-Saxon people, but it certainly ought to be one of such popular political capacity that complete independence in its exercise will result in progress rather than retrogression to chaos or tyranny. It should be noted, too, that the tribunal to decide whether the proper political capacity exists to justify independence is Congress and not the Philippine electorate. Aspiration for independence may well be one of the elements in the make-up of a people to show their capacity for it, but there are other qualifications quite as indispensable. The judgment of a people as to their own political capacity is not an unerring guide.

The national Philippine policy contemplates a gradual extension of popular control—*i. e.*, by steps. This was the plan indicated in Mr. McKinley's instructions. This was the method indicated in your recommendation that a popular assembly be made part of the legislature. This was evidently the view of Congress in adopting your recommendation, for the title of the act is "For the temporary government of the Philippine Islands" and is significant of a purpose or policy that the government then being established was not in permanent form, but that changes in it from time to time would be necessary.

In the historical summary of conditions in the Islands when the United States assumed responsibility for their government and the review of measures adopted by the present Philippine government to improve conditions and the results, it will be convenient to consider the whole subject under the following heads:

1. The conditions as to law and order. The way in which they have been restored and are now permanently maintained.

in the Islands, which was continued with more or less vigor until July, 1902. The guerrilla warfare was carried on only because of the encouragement received by the insurrectos from speeches of the so-called "anti-imperialists" and the assurances publicly given by political leaders in the United States of immediate severance of the relations between the Islands and the United States in case the Administration were defeated in the election. At times the warfare would seem to cease and the insurrection seem to be at an end, and then it would revive again, apparently with a view to influencing elections in America.

It can readily be inferred from this statement that from the breaking out of the insurrection in 1896, with the new insurrection in 1898, and the war with the Americans beginning early in 1899 until the close of the guerrilla warfare in June, 1902, the conditions of the country were not peaceable and agriculture could not flourish. Not only did the existence of actual war prevent farming, but the spirit of laziness and restlessness brought on by a guerrilla life affected the willingness of the native to work in the fields. More than this, the natural hatred for the Americans which a war vigorously conducted by American soldiers was likely to create did not make the coming of real peace easy.

But in addition to these disturbed conditions, due directly to war, there are certain features of Philippine civilization always present, war or no war, that do not tend to permanent tranquillity and can not be ignored.

In the first place the Philippines have been infested with ladrones, or robber bands, since their earliest history. The Spanish Government maintained a large force, called "*la guardia civil*," to suppress the evil. In some provinces, blackmail was regularly paid by large landowners to insure themselves against the loss incident to attack and destruction of their property. In the province of Cavite, for instance, ladronism was constant, and it was understood that the managers of the friars' estates, which amounted in all in that province to 125,000 acres, usually paid blackmail to ladrones in the form of money or provisions. The province of Cavite was known as "the mother of ladrones," and there was certainly a sympathy between the lower classes and the ladrones who mulcted the landlords.

But besides the ladrone habit, which makes for continued disorder, there is another quality of the ignorant masses of the Philippine people that is a constant danger to tranquillity. More than 80 per cent of the Philippine people are illiterate. Their ignorance is dense. They speak some 15 or 16 different Malay dialects. Knowledge of one dialect does not give an understanding of another. Each dialect has a limited vocabulary, which offers no medium of communication with modern thought or civilization. Their ignorance makes them

suspicious of all educated persons but those of their own race who know their dialect and are well to do.

The result is that in rural communities in the Philippines whole townships of people are completely subject to the will of any educated, active-minded person living in that community, who knows the local dialect and is willing or able to arouse either the fears or cupidity of his neighbors into the organization of a band either to resist fancied dangers or oppression, to satisfy vengeance, or to achieve a living and comfort without labor. This is the central and most important fact in the make-up of the local Philippine communities. It has led to the abuse of caciquism, i. e., local bossism, to which I shall refer in the question of the organization of municipalities and provincial governments. The history of the insurrection and of the condition of lawlessness which succeeded the insurrection is full of instances in which simple-minded country folk at the bidding of the local leader, or cacique, have committed the most horrible crimes of torture and murder, and when arrested and charged with it have merely pleaded that they were ordered to commit the crime by the great man of the community. This irresponsible power possessed by local leaders over their ignorant neighbors, in case of an independent Filipino government lacking the moral strength which the United States Government derives from its power and resources and its determination to punish disturbance and maintain order, would, under present conditions, lead, after a short period, to a chaos of ever-recurring revolt and insurrection to satisfy the vengeance of disappointed bosses and local leaders.

Whenever Filipino municipal officials come into contact either with non-Christian tribes or with inferior peoples of their own race like those who live in the mountains of Samar and Leyte, known as "pulahanes," they are likely to exercise official authority for their own profit and to the detriment of the inferior people. Thus in Samar and Leyte the mountain people raise a good deal of hemp. The municipal authorities of the lowlands and the local caciques conspire to prevent the disposition of this hemp to anyone but their own agents at an unjustly low price, using duress and a show of official authority for the purpose. This fraud and mistreatment ultimately creates among the mountain peoples a just sense of indignation. Then it is that some religious fakir invites them to organize against their enemies, under the charm of some religious token, and some lowland village is sacked and its people are murdered. The central and provincial authorities intervene and a war ensues, which lays waste much of the interior of the islands, to suppress a disorder that had its inception in a just cause of complaint.

Of course the frequency of such disturbances is reduced as education spreads, as the poor and oppressed begin to understand their

rights and the lawful method of asserting them, and as the real cause of such outbreaks are more clearly understood and suppressed. But no account of the difficulty of maintaining peace and order in the Philippines would be accurate or just which did not make clear this possible recurring cause of trouble and disturbance under present conditions, due to the ease with which simple-minded, ignorant people of a community can be aroused, by one or more of the better educated of their own race viciously inclined, to deeds of murder and cruel violence. Such disturbances are generally heralded as the evidence of seething sedition and discontent with the American Government, whereas they are generally but the effect and symptom of mere local abuses entirely Filipino in origin.

Having thus described the conditions of disorder, actual and potential, in the Philippines, due not only to the four or five years of intermittent and recurring war, the rancor and race hatred it tended to create, the unfounded hopes held out by American anti-imperialists, and all the other sequelæ of war, but also to certain normal features and qualities of the present Philippine civilization, I come to review the measures taken and policy adopted by the American Government to bring the Islands to their present state of complete tranquillity.

THE WORK OF THE UNITED STATES ARMY.

The agency of the Army in bringing about order in the Islands must never be minimized. The hardships of the campaign which it had to carry on were very great. The responsibility which was thrown upon captains, lieutenants, and sergeants in command of small detachments into which it was necessary to divide the Army to meet the exigencies of guerrilla warfare was met with courage and intelligence and great fertility of resource under most trying and unusual conditions. It is not too much to say that no other army of the same size could have accomplished the results which were accomplished by the American Army. At times there were some members of this Army who were tempted, in the eagerness of pursuit, into indefensible and cruel practices for the obtaining of information—practices which had been common among the Spaniards and the Filipinos themselves. Revelations of these cruelties led to severe indiscriminate criticism and attacks on the Army as a whole which were calculated to discourage and dishearten, but in spite of all difficulties the work went on. At one time in the campaign against guerrilla warfare there were more than 500 different posts and more than 65,000 men in arms. Certain it is that order would have never been restored without the efficient and courageous service rendered by the Army, and in spite of all the stories that were told of the cruelties inflicted by the Americans upon Filipinos, only a small part

of which were true, any candid observer of the conditions at the time must admit that the American soldiers as a body exhibited toward the Filipinos a self-restraint and a sympathy with the benevolent purposes of the administration which the circumstances and the character of the Filipino warfare carried on were not calculated to invite.

Not only did the Army do most efficient work in the suppression of the insurrection when war was rife, but the presence of 12,000 American soldiers in the Islands since has been a moral force of great weight to secure peaceful conditions. Occasionally they have been called on for active work in subduing disorders in particular provinces which had gone beyond the control of the local and insular peace officers and they have rendered prompt and effective service in such cases. They are now being concentrated in larger and larger posts for economical, educational, and disciplinary purposes, but their presence anywhere in the Islands is beneficial to the cause of order. They are now popular with the Filipinos, and we find the same objection to abandonment of posts by neighboring Filipino communities that we meet in the United States.

PROMISE OF EXTENSION OF SELF-GOVERNMENT.

President McKinley announced as his policy that the Philippine Islands would be taken over by the American Government to be governed for the benefit of the Filipinos, and that as they developed fitness for partial self-government it should be gradually extended to them. In order to enforce and give evidence of this purpose, he appointed a Commission in 1899, known from its chairman, Hon. J. G. Schurman, as the "Schurman Commission," to visit the Philippine Islands and extend local self-government as rapidly as possible. The Commission was able only to investigate conditions and to report that in its judgment the Filipinos were not fit for self-government. It was able to be present at the organization of municipal government in a few towns which had been captured by the Americans, but it practically was able to do no constructive work, in view of the conditions of war that existed while it was there. It returned to the United States and made its report.

In February of 1900 a new Commission was appointed by President McKinley, who gave it much more ample powers than its predecessor, for the purpose of organizing civil government in the wake of war as rapidly as conditions would permit. The powers conferred were set forth in a letter of instructions delivered by President McKinley to Mr. Root, Secretary of War, for his guidance and that of the Commission in respect of the policy to be pursued in the Philippines. The Commission arrived in June, 1900. The Commission was not authorized to assume any authority until the 1st of

September and spent its time from June until September, 1900, in making investigations. It then took over the power and duty of enacting legislation to make a government for that part of the Islands in which war had ceased to exist and to make appropriations from funds raised by taxation for civil purposes. The preparation and enactment of a municipal and a provincial code for the organization and maintenance of municipalities and provinces in the Islands occupied much of the attention of the Commission during the remainder of the year 1900.

For the three or four months prior to the Presidential election in November, 1900, it was impossible to proceed with the actual organization of civil government. The insurgents were assured that the Administration of Mr. McKinley would be defeated and that his defeat would be immediately followed by a separation of the Islands from the United States. Everything hung on the election. The reelection of Mr. McKinley was a great blow to the insurgents.

ORGANIZATION OF THE FEDERAL PARTY.

It is a mistake to suppose that the war by the Filipinos against the Americans had the sympathy of all the Filipinos. On the contrary, there were many intelligent and conservative men who favored American control and who did not believe in the capacity of their people immediately to organize a government which would be stable and satisfactory, but in the face of a possible independence of the Islands, they were still. Upon Mr. McKinley's second election many of these persons reached the conclusion that it was time for them to act. Accordingly, they formed the Federal Party, the chief platform of which was peace under American sovereignty and the acceptance of the American promises to govern the Islands for the benefit of the Filipinos and gradually to extend popular self-government to the people. The Federal Party received accessions by thousands in all parts of the Islands and in every province, so that the Commission was enabled during the year 1901, and under the auspices, and with the aid of, the Federal Party, to organize civil government in some 32 or 33 provinces, or in substantially all of them. The proof of the purposes of the American Government, given in the popular features of the provincial and municipal codes, which bore out in every respect the general promises of President McKinley, had much to do with the ending of the war. From November 1, 1900, until July 1, 1901, when military government was declared to be ended and a civil governor appointed, the men and guns surrendered exceeded that of any similar period in the history of the war.

THE CENTRAL GOVERNMENT.

The somewhat anomalous creation of the Philippine Commission, as a civil legislature in a purely military government established by the President by virtue of his powers as Commander in Chief, presented some difficult questions of jurisdiction between the military governor and the Commission and led to considerable friction. The Commission, however, held the purse strings, and as is usual in such cases the control of appropriations ultimately left the powers of the Commission substantial and undisputed. Another difficulty arose in respect to jurisdiction of the courts established and appointed by the Commissioners to issue writs of habeas corpus to inquire into the legality of the detention of civilians by the general commanding. This, too, subsequently was worked out in favor of the civil courts. The differences between the military and civil authorities did not escape the attention of the Philippine public, and of course the sympathy of the Filipinos went with the civil side of the controversy, and the appointment of a civil governor July 1, 1901, and the clothing him with extensive authority had the popular approval. This was increased by the appointment to the Commission of three Filipino members. They were the most prominent members of the Federal Party. The Commission now consisted of the civil governor, four other Americans, and three Filipinos. The four American members, in addition to their legislative work, were made respectively the heads of four departments—one of finance and justice, the second of the interior, the third of commerce and police, and the fourth of public instruction. To these departments were assigned the appropriate bureaus by which the business of the central government was directly carried on. The presence of the Filipinos in the controlling body of the government offered an excellent opportunity for Filipino influence to affect legislation and brought to the new quasi civil government a sympathetic support from the Filipino public that included most of those but recently in arms against American sovereignty.

In some provinces civil government proved to have been prematurely established, notably in Batangas, Cavite, Cebu, and Samar, and in the fall of 1901 the services of the Army were again required in those provinces. But ultimately they became peaceful. The guerrilla forces which continued in arms were finally subjugated or brought in through the vigor of the Army and the influence of the Federal party, before July 1, 1902, when peace was officially declared to exist by your proclamation of amnesty.

EFFECT ON PERMANENT ORDER OF MUNICIPAL AND PROVINCIAL GOVERNMENTS AND NATIONAL ASSEMBLY.

Under the head of political education I shall describe the initiation and maintenance of municipal and provincial governments in some detail, and shall consider them and the assembly as instruments in the political education of the Filipinos and comment on their efficiency and defects as government agencies. I now wish to refer to them as part of the so-called policy of "attraction." The Filipino people did not expect the liberal and popular provisions of the municipal and provincial codes, and their enactment created the revulsion of feeling that enabled the Federal party to bring on peace. The part the people were given in governing both towns and provinces stimulated them to efforts in behalf of order that became greatly more sympathetic and effective, when, as I hereafter point out, the officers of the insular constabulary learned their real function of assistance and not independent command. The giving control of the provincial board to two elected officials added to their sense of responsibility as to order in the province and was convincing of the sincerity of American promise to extend popular control by gradual steps.

The provisions of the organic act passed by Congress in July, 1902, confirming President McKinley's policy and the promise of an assembly if good order was maintained, had a great effect to make the Filipino people anxious to preserve order, and no act of the American Executive was more convincing to the people of the good faith of the Administration than your proclamation of the elections at a time when an excuse for delay within the law might easily have been found in some of the disturbances then existing. The existence and influence of the assembly are important continuing factors in the maintenance of law and order.

ESTABLISHMENT OF COURTS.

Even under the purely military administration before the appointment of the Commission a military governor had established civil courts for the purpose of disposing of civil cases and for such violations of law as were not more conveniently disposed of by military tribunals. The Commission early passed a law dividing the Islands into some 15 districts, establishing a court of first instance in each district, together with a supreme court of seven to consider appeals from the courts of first instance. This system was recognized and adopted by Congress in the organic act of July 1, 1902. The policy was pursued of appointing a Filipino, the first lawyer of the Islands, the chief justice of the supreme court, together with two Filipino col-

leagues and four Americans. About the same proportion between Americans and Filipinos was observed in the appointment of judges of the court of first instance.

There was great difficulty in finding proper material for the American judges because there were so few American lawyers in the United States who spoke Spanish, and it greatly interfered with the convenience of hearings if the judge did not know Spanish. However, time cured this difficulty, because the American appointees rapidly acquired a knowledge of the Spanish language sufficient to take testimony and hear arguments without interpreters. The first years of the courts, especially in the country, were almost entirely occupied in hearing criminal cases. The civil government very soon adopted the position that after a state of peace had been declared in 1902, men in arms engaged in looting and robbery should be treated not as *insurrectos* or as enemies under the laws of war, but merely as violators of the local law. In the early days of the insurrection if a body of *insurrectos* was organized in any province and was captured, their guns were taken and after a short imprisonment the men were released. This practice had led to a feeling on the part of the ignorant people that they might with impunity resort to arms, and if caught thereafter that they would be imprisoned for a short time only and then released. The imposition of long sentences, fifteen or twenty years, and the confinement of men in Bilibid prison and the requirement that they should work at hard labor was a most effective method of teaching the ignorant and easily led members of a community the difference between a political revolution and the crime of robbery and living on one's neighbors by force.

A great number of persons in various provinces were prosecuted for bandittiism. A statute was passed to cover these cases providing that a man might be convicted of a felony by conclusive proof that he was a member of a band organized to commit robberies, even though no evidence was adduced to show any particular robbery in which he was personally concerned. This has been hailed as a departure from the usages of the common law and the spirit of our institutions. It is nothing of the kind. It is merely the denunciation of a particular kind of conspiracy. It was entirely impracticable to identify the perpetrators of particular robberies, but it was entirely practicable to prove conclusively the existence of a band to commit the robberies, and the membership of the particular defendant in that band, although his presence at the commission of an overt act it was often impossible to show. There is not the slightest reason in law or morals why a man thus proved to be a robber should not be punished and punished just as severely as the men who were actually taken in the commission of the act. The effect of this law was to bring to justice a great number

of criminals in various provinces, and its vigorous administration by both the Filipino and American judges under active prosecution by Filipino prosecutors did much toward the suppression of ladronism. The difficulty was that the number of convicted persons became so large as to strain the capacity of the jails and penitentiaries in the Islands. This congested condition has been met, however, now, first, by the establishment of a penal colony in the island of Palawan, and, second, by the use of prisoners in several provinces for the construction of roads.

After many of those sentenced for highway robbery had served two years the governor-general appointed a commission to go over the cases to recommend for pardon those persons who, while guilty of the crime charged were not of the criminal class, but had been led into it by duress and undue influence of neighboring brigand chiefs and caciques. Quite a large number of these persons were paroled and sent back to their homes to give them an opportunity to become good citizens. The changing condition of the country and the maintenance of law and order are evidenced by the fact that the proportion of civil cases to criminal cases in the courts of first instance and the supreme court is rapidly increasing. It is becoming much easier to dispose of the criminal cases, while it is the civil cases that now clog the dockets. The standard in the administration of justice in the Islands is high. It has been sometimes charged by irresponsible persons that some of the judges were subject to executive influence. An investigation into the matter discloses not the slightest evidence of the existence of any such evil, and the whole charge rests on the easily spread rumor of disappointed litigants or political enemies of the government. On the whole, I am quite sure that throughout the Islands the judges of the courts, and especially the members of the supreme court, have the entire confidence of the public in the justice and sincerity of their conclusions. No distinction has been made in the hearing of causes by a Filipino or American judge, and the system moves on quietly and effectively to accomplish the purpose for which it was adopted. The influence of the courts in the restoration of order has been very important.

THE PHILIPPINE CONSTABULARY.

Another step most necessary and useful in the restoration of order was the organization of a body of upward of 5,000 men, Filipinos officered by Americans, into a constabulary divided into companies and organized by Regular Army officers. But little difficulty was found in the organization of this body as an efficient fighting and scouting force, but it took several years of training, of elimination, and of severe discipline before the subordinate officers, those assigned to each province, were made to understand the proper policy to

be pursued by them in respect to the native governors and presidents of the municipalities who had been elected by the people under the municipal and provincial codes. At first there was constant friction and suspicion between them, and this did not aid at all the work of suppressing ladrones and other disreputable and vicious elements of the community. Year by year, however, improvement has been made in this regard, and the lesson has been taught that the constabulary are not a military force, but a force of police organized by the central government and paid out of its treasury to assist in a sympathetic way the native local officers in the work of suppression of disorder and lawlessness of their particular localities. When I was in the Islands two years ago the native papers were full of condemnation of the constabulary and its severity. During the last two years a most remarkable change has taken place in the relations between the officers and men of this force and the provincial governors and officers of the towns, and now there is nothing more popular in the Islands than the constabulary.

FRIARS' LANDS.

A most potential source of disorder in the Islands was the ownership of what were called the "friars' lands" by three of the religious orders of the Islands—the Dominicans, the Augustinians, and the so-called bare-footed Augustinians, known as "Recoletos." These lands amounted in all to 425,000 acres, of which 275,000 were in the immediate neighborhood of Manila, 25,000 in Cebu, and 125,000 in the remote provinces of Isabela and Mindoro. The tenants on those which were close to Manila numbered some sixty or seventy thousand persons. The attitude of the people toward the friars' lands was shown by the fact that the so-called constitutional convention assembled by Aguinaldo at Malolos nationalized the friars' lands—that is, appropriated them to the so-called "Republic of the Philippines." With the restoration of order and the establishment of courts the representatives of these religious bodies were entitled to go into court and recover from tenants the rents which had been in arrears since 1896, and to eject them from the lands which they had occupied unless they admitted title and continued to pay rent. The occupants of the friars' lands resolutely refused to do either, and the Philippine government was confronted with the immediate prospect of suits to evict 60,000 tenants in those provinces prone to disturbances and insurrection.

The situation was further strained by the fact that the church, for lack of other competent priests, showed every inclination to send back to the parishes from which they had been driven as many of the friars who had been parish priests as it could. Every

parish to which a friar priest returned at once began to seethe with popular indignation, and threats of violence were constantly made toward him. The only solution possible, consistent with the preservation of vested property rights on the one hand, and the right secured by treaty to the friars of freedom of religion and freedom of speech in any part of the Islands, was some arrangement by which the land could be taken over by the Government and the church induced not to send friars as parish priests to those parishes where riot and disturbance were likely to follow. A visit to Rome for consultation with the head of the Roman Catholic Church resulted in the Pope's sending an apostolic delegate to the Islands with adequate powers and in subsequent negotiations which ultimately led to the purchase of the lands for seven millions of dollars and induced a practice on the part of the hierarchy of the church by which they send no friars as parish priests into any parish in which the governor-general makes final objection.

The price paid for the lands was a good round sum. It had to be in order to secure them. Congress, convinced of the necessity for their acquisition, had provided, in the organic act for the establishment of a government in the Philippines, either for their purchase or in the alternative for their condemnation by the Government and their subsequent disposition on long, easy terms to the occupants. The representatives of the Dominican order objected to the condemnation of their lands and employed able counsel to test the validity of the provision for condemnation for such a purpose. The point made was a serious one and increased the importance of securing the lands by purchase, if possible. With the government as a landlord the tenants manifest no disposition to contest its title, save in a few isolated cases. I shall not stop now to discuss the present value of the lands or their management. I shall refer to that later. It is enough for my present purpose to point out that the acquisition of these lands by the government and the adjustment of differences as to the use of friars as parish priests have removed a fruitful source of disturbance in the provinces of Cavite, Laguna, Manila, Bataan, Morong, and Cebu.

By another compromise, to which I shall refer in detail later, a controversy between the government and the Roman Catholic Church as to charitable and educational trusts and in respect to the Spanish-Filipino Bank has been settled. At one time this controversy promised to contribute to the disorder of the Islands.

There are no other questions between the government and the Roman Catholic Church, unless it can be said that questions of possession and title to church property arising from the Aglipayan schism can be said to involve them.

Immediately after our negotiations with Leo XIII at Rome were found not to include an absolute agreement to withdraw the friars from the Islands, Aglipay, a former Catholic priest under excommunication, organized a schism from the Roman church. He called his church the Independent Filipino Catholic Church. At first the schism spread far and wide through the Islands, and as the number of priests of the Roman Catholic Church by reason of the expulsion of the friars had been reduced so that many churches lay open and idle, the priests of the Aglipayan schism, with the acquiescence of the townspeople in the various villages where the Aglipayans were in the majority, assumed possession of land and church buildings which had been occupied in Spanish days by the Roman Catholic Church. Possession was taken under a claim that the churches belonged to the people of the municipality and that they were able to dispose of the use of the churches to such religious purposes as they saw fit. This course of procedure led to innumerable controversies and to frequent breaches of the peace and to a bitterness of feeling that did not make either for the tranquillity of the Islands or their prosperity.

The Executive consistently and properly declined to decide the question of title or the right to possession which arose in each case after peaceable possession had been taken. This was regarded as unreasonable by the authorities of the Roman Catholic Church, but was the only possible course which the civil executive could take without arrogating to itself judicial powers. Instead of attempting to decide these questions the Commission passed a law providing for their early settlement by suits brought originally in the supreme court. One set of these cases has been decided in favor of the Roman Catholic Church and others are now nearly ready for decision, so that we may reasonably expect that within six months the whole matter may be disposed of, and when this is done the religious obstacles that seemed so formidable when the Philippine government was assumed by the United States will have been disposed of permanently and that fruitful source of disturbance and riot and discontent will have ceased.

I have given in detail the steps taken to restore and maintain order in the Islands. I have mentioned the vigorous campaign of the Army and the moral restraint of its presence in the Islands, the promises of President McKinley as to gradual extension of self-government, the organization of the Federal party, the institution of municipal and provincial governments on a popular plan, the confirmation of President McKinley's policy by the act of Congress establishing a Philippine government, assuring a national assembly, and your fulfillment of the assurance, the establishment of courts with partly American and partly Filipino judges, the punishment of predatory bands

as civil felons, the establishment and growth of the insular constabulary as a sympathetic aid to Filipino municipal and provincial officials in suppressing lawlessness, and, finally, the removal by satisfactory compromises of the irritating church questions which had much to do with causing the original insurrection and, if unsettled, were pregnant with disorder.

PRESENT CONDITION.

Peace prevails throughout the Islands to-day in a greater degree than ever in the history of the Islands, either under Spanish or American rule, and agriculture is nowhere now impeded by the fear on the part of the farmer of the incursion of predatory bands. Under the policy already stated, inaugurated by the instructions of President McKinley to Secretary Root, in reference to the establishment of a temporary government in the Philippines, a community consisting of 7,000,000 people, inhabiting 300 different islands, many of whom were in open rebellion against the Government of the United States for four years, with all the disturbances following from robber and predatory bands which broke out from time to time, due to local causes, has been brought to a state of profound peace and tranquillity in which the people as a whole are loyally supporting the government in the maintenance of order. This is the first and possibly the most important accomplishment of the United States in the Philippines.

THE POLITICAL CAPACITY AND INTELLECTUAL DEVELOPMENT OF THE FILIPINOS UNDER SPAIN AND THE STEPS TAKEN BY THE PHILIPPINE GOVERNMENT FOR THEIR GENERAL AND POLITICAL EDUCATION.

Very little practical political education was given by the Spaniards to the Filipinos. Substantially all the important executive offices in the Islands were assigned to Spaniards, and the whole government was bureaucratic. The provincial and municipal authorities were appointed and popular elections were unknown. The administration of the municipalities was largely under the supervision and direction of the Spanish priest of the parish. No responsibility for government, however local or unimportant, was thrust upon Filipinos in such a way as to give them political experience, nor were the examples of fidelity to public interest sufficiently numerous in the officeholders to create a proper standard of public duty. The greatest difficulty that we have had to contend with in vesting Filipinos with official power in municipalities is to instill in them the idea that an office is not solely for private emolument.

There was an educated class among the Filipinos under the Spanish régime. The University of St. Thomas, founded by the Dominican

Order early in the seventeenth century, has furnished an academic education to many graduates. The same order, as well as the Jesuits and the Augustinians, maintained secondary and primary schools for the well-to-do. Quite a number of Filipinos were educated in Spain or France. As compared with the youth and young men of school and college age in the Islands, the number, however, was very small. These men were educated either as lawyers, physicians, pharmacists, or priests. In politics their knowledge was wholly theoretical. They imbibed liberal ideas from the spread of republican doctrines in Spain, and the repressive policy of the Spanish Government, of course, operated only to encourage them. They were patriotic, and soon conceived of the Philippines as a nation. Rizal, a leader of Philippine thought, a poet, and a political writer, did not favor independence, for he believed his people not yet fitted, but he sought reform in the Spanish government of the Philippines and some popular voice in it.

As the protest against Spanish domination grew, the aspiration for complete independence took possession of many, and in the insurrections which followed there were many patriots moved by as high ideals as those which have led to revolutions in any country. Their conceptions of liberty, of independence, of government were wholly ideal, however. When in the course of events they came to actual government they were unable to realize their conceptions, and only a one-man power or an oligarchy with class privilege, and no real civil rights for the so-called serving or obedient class, followed. They needed as much education in practical civil liberty as their more ignorant fellow-countrymen in reading, writing, and arithmetic.

The efforts of the American Government to teach the ignorant their civil rights and to uplift them to self-governing capacity finds only a languid sympathy from many of the "ilustrados." From them comes the only objection to teaching English to the common people, lest they lose their national character; as if it were necessary to keep the people confined to 16 barbarous dialects in order that they should be distinctly Filipino. The real motive for the objection, whether conscious or not, is in the desire of the upper class to maintain the relation of the ruling class to the serving and obedient class.

The educated Filipino has an attractive personality. His mind is quick, his sense of humor fine, his artistic sense acute and active; he has a poetic imagination; he is courteous in the highest degree; he is brave; he is generous; his mind has been given by his education a touch of the scholastic logicism; he is a musician; he is oratorical by nature.

The educated Filipino is an aristocrat by Spanish association. He prefers that his children should not be educated at the public schools,

and this accounts for the large private schools which the religious orders and at least one Filipino association are able to maintain. In arguing that the Philippines are entirely fit for self-government now, a committee of educated Filipinos once filed with the civil governor a written brief in which it was set forth that the number of "ilustrados" in the Islands was double that of the offices—central, provincial, and municipal—and therefore the country afforded two "shifts" of persons competent to run the government. This, it was said, made clear the possibility of a good government if independence was granted. The ignorance of the remainder of the people, admitted to be dense, made no difference. I cite this to show of how little importance an intelligent public opinion or an educated constituency is regarded in the community and government which many of the educated Filipinos look forward to as a result of independence. I do not say that there are not notable exceptions to this among leading Filipinos, but such persons are usually found among those who are not so impatient to lose American guidance in the government. Indeed, I am gratified to hear that the first bill which passed the Assembly was an appropriation of a million pesos for barrio schools. On the whole, however, there is reason for believing that were the government of the Islands now turned over to the class which likes to call itself the natural ruling class, the movement initiated by the present government to educate the ignorant classes would ultimately lose its force. The candor with which some of the representatives of the independista movement have spoken of the advantage for governmental purposes of having 80 per cent of the people in a serving or obedient class indicates this.

No one denies that 80 per cent of the Filipino people are densely ignorant. They are in a state of Christian tutelage. They are child-like and simple, with no language but a local Malay dialect spoken in a few provinces; they are separate from the world's progress. The whole tendency under the Spaniards was to keep them ignorant and innocent. The Spanish public school system was chiefly on paper. They were for a long time subject completely to the control of the Spanish friar, who was parish priest and who generally did not encourage the learning of Spanish or great acquaintance with the world at large. The world owes to the Spanish friar the Christianization of the Filipino race. It is the only Malay or oriental race that is Christian. The friars beat back the wave of Mohammedanism and spread their religion through all the Islands. They taught the people the arts of agriculture, but they believed it best to keep them in a state of innocent ignorance. They did not encourage the coming into the Filipino local communities of Spaniards. They feared the influence of world knowledge. They controlled the people and

preached to them in their own dialects. They lived and died among them.

The friars left the people a Christian people—that is, a people with Western ideals. They looked toward Rome, and Europe, and America. They were not like the Mohammedan or the Buddhist, who despise Western civilization as inferior. They were in a state of tutelage, ripe to receive modern Western conceptions as they should be educated to understand them. This is the reason why I believe that the whole Christian Filipino people are capable by training and experience of becoming a self-governing people. But for the present they are ignorant and in the condition of children. So, when the revulsion from the Spanish domination came, as it did, the native priest or the neighboring “*ilustrado*” or “*cacique*” led them into the insurrection. They are a brave people and make good soldiers if properly led. They learn easily, and the most striking fact in our whole experience in the Philippines is the eagerness with which the common Filipino agricultural laborer sends his children to school to learn English.

There is no real difference between the educated and ignorant Filipinos that can not be overcome by the education of one generation. They are a capable people in the sense that they can be given a normal intellectual development by the same kind of education that is given in our own common school system. Now they have not intelligence enough to exercise the political franchise with safety to themselves or their country; but I do not see why a common school education in English, with industrial teaching added, may not make the children of these people capable of forming an intelligent public opinion needed to sustain a popular government if, at the same time that the oncoming generations are being educated in schools, primary and industrial, those who are intelligent are being given a political education by actually exercising the power of the franchise and actually taking part in the government.

As will be seen hereafter, the Philippine government has not funds enough to educate in primary and industrial schools all the present generation of school age, and unless some other source of funds than governmental revenues is found it will take longer than a generation to complete the primary and industrial education of the common people. Until that is done, we ought not to lift our guiding hand from the helm of the ship of state of the Philippine Islands. With these general remarks as to the present unfitness of the Filipino people for popular self-government and their capacity for future development so that they may, by proper education, general and political, become a self-governing people, I come to the methods pursued by the Philippine government in furnishing to the Filipinos

the necessary education. I shall consider the subject under two heads:

1. Education in schools for the youth of school age.
2. Practical political education by the extension, step by step, of political control to an eligible class.

FIRST: EDUCATION IN SCHOOLS.

Reference has already been made to the fact of the very great ignorance and illiteracy that prevails among the Filipino people. It is not too much to say that knowledge of Spanish is a fairly good indication whether an individual can be said to be educated. Statistics show that but 7 per cent of the people of the Islands speak Spanish; all the others speak in the varying dialects, which among the civilized people number some 16. The Philippine people should be educated sufficiently to have a common medium of communication, and every man, woman, and child should have the benefit of the primary education in that common medium. Reading, writing, and arithmetic are necessary to enable the rural laborer and the small hemp, cocoanut, or tobacco farmer to make contracts for the sale of his products and to know what price he should receive for that which he has to sell. With this knowledge, too, he will soon be able to know his own rights and to resist the absolute control which is now frequently exercised over him by the local cacique.

The necessity for a common school system was emphasized in the instructions of President McKinley to Secretary Root, and those responsible for the government of the Islands have been earnest and active in seeking to establish one. The language selected for the schools is English. It is selected because it is the language of business in the Orient, because it is the language of free institutions, and because it is the language which the Filipino children who do not know Spanish are able more easily to learn than they are to learn Spanish, and it is the language of the present sovereign of the Islands. The education in English began with the soldiers of the American Army, one of whom was detailed from each company to teach schools in the villages which had become peaceful. When the Commission assumed authority it sent to the United States for 1,000 American teachers, and after the arrival of these pioneers in the Islands, a system of primary schools was inaugurated together with normal schools.

Public educational work in the Islands is performed under the bureau of education, with the central office located in Manila, having 37 divisions, each in charge of a division superintendent, embracing in all 379 school districts each in charge of a supervising teacher. The total number of schools in operation during the past year was:

Primary schools, 3,435; intermediate schools, 162; arts and trades schools, 32; agricultural schools, 5; domestic-science schools, 17, and provincial high schools, 36, making a total of 3,687 and an increase from the previous year as follows: 327 primary schools, 70 intermediate schools, 15 arts and trades schools, 3 agricultural schools, and 9 domestic-science schools. There are engaged in the teaching of these schools at present 717 permanent American teachers and 109 temporary appointees, and all of these are paid out of the central treasury. In addition to these there are what are known as Filipino insular teachers, numbering 455, who are paid out of the central treasury. In addition to these there are 5,656 municipal Filipino teachers, all of whom speak and teach English and who are paid out of the treasuries of the municipalities.

The 6,000 Filipino teachers who are now teaching English have received their English education from our normal schools or our American teachers. Their number is growing, and they represent and are the most valuable educational asset we have acquired in working out our school system. The average annual salary of the Filipino insular teacher is 533.2 pesos a year, while that of municipal teachers is 210.36 pesos. The Filipino insular teachers are drawn from graduates of normal schools and also from the students sent by the government and at the expense of the government to the United States to be educated there. Forty-six of these students have recently returned from the United States and have been appointed as insular teachers at salaries ranging from 840 to 960 pesos per annum. The average paid to the American teacher is about \$1,200 per annum. The total enrollment for the year, inclusive of the Moro Province—the schools in which are conducted under a separate system—was 479,978. This was in the month of March at the close of the school year, when the enrollment reached its highest point. The average enrollment total by months was 346,245, of whom 62 per cent were boys and 38 per cent were girls. The average daily attendance was 269,000, or a percentage of attendance of about 85 per cent. The highest percentage of attendance was 94, in the city of Manila. The lowest percentage in some of the provinces was 78. The attendance and enrollment in schools begins in August, which is the beginning of the school year, and ends in March. As August is one of the wet months, the attendance begins at the lowest figure and increases gradually into the dry season until its highest point at the close of the school year in March.

The central government this year for school purposes and construction of schools has appropriated 3,500,000 pesos. The maintenance of primary schools is imposed by law upon the municipalities, and involves a further expenditure of nearly a million and a half pesos. In order to relieve distress incident to agricultural depression, it was found necessary to suspend the land tax, a part of the proceeds of

which by mandatory provision of law was appropriated to the support of municipal schools. The central government in the first year appropriated a sufficient sum from the internal revenue to meet the deficit caused by the failure to impose the land tax, but in the present year it was only able to appropriate 50 per cent of the amount which would have been raised by the land tax, and next year no such appropriation will be made, and it will be left optional with the province whether the land tax shall be imposed or not.

The great difficulty in the matter of education in the Islands is the lack of funds to make it as extended as it should be. The suspension of the land tax is subjecting the educational system to a crisis, but the revival of agriculture in many parts of the Islands leads to the hope that the crisis may be successfully passed. It would be entirely possible to expend for the sole benefit of the Philippine people, without the least waste, upward of two or three millions of dollars annually in addition to all that the government of the Philippine Islands—central, municipal, and provincial—can afford to devote to this object. We are not able to educate as they should be educated more than a half of the youth of school age in the Islands. The government, while contributing to the maintenance of high schools in each province, is devoting its chief attention to the spread of primary education, and in connection with primary education, and, at its close in the intermediate schools, to industrial education. Primary and industrial education carried on until the child is 14 or 15 years old is thought to be the best means of developing the Filipino people into a self-sustaining and self-governing people, and the present government has done all that it has been possible to do in developing and maintaining a proper system for this purpose. The tendency toward the development of industrial education the world over has created such a demand for industrial teachers as to make it impossible for the Philippine government to secure as many as are needed for the purpose in the Islands, and in order to have these industrial teachers it must take the time to educate them as such, just as it did the Filipino primary teachers in English.

There are now in the Islands, including art and trade schools, agricultural schools, and domestic-science schools, at least one industrial school to every province, and it is the purpose to increase this number as rapidly as resources and opportunity will permit. Under the influence of the traditions of the Spanish régime, when manual labor seems to have been regarded as an evidence of servitude, it was at first impossible to secure pupils for the great manual training school in Manila. Boys preferred to be "escribientes" or clerks and gentlemen rather than to learn to win a livelihood by the skill of their hands, but this has been rapidly overcome. In the insular school of arts and trades in Manila, where the plant and equipment is quite

satisfactory, instruction is now given some 350 pupils in English, arithmetic, geography, mechanical drawing, woodworking (bench work, carving, turning, and cabinet making), ironworking (bench work, filing, blacksmithing, and iron machine work), and finishing, including painting and varnishing, to which will be added next year boat building and wheelwrighting. At the present time there are on the waiting list some 200 pupils who seek admission but for whom no places are available. A large insular agricultural school is to be established in Manila for giving instruction in practical agriculture, and the money, 100,000 pesos, necessary for the building and construction has already been appropriated.

The influence of the primary instruction in English is shown throughout the Islands by the fact that to-day more people throughout the Islands, outside of Manila and the large cities, speak English than speak Spanish. A noticeable result of the government's activity in the establishment of English schools has been the added zeal in teaching English in private educational establishments. A Filipino school managed and taught only by Filipinos, called "Liceo," has some 1,500 pupils in Manila, and English is regularly taught as part of the curriculum of that school; the Dominican order of friars, which is primarily an educational order, has schools in and about Manila with upward of 2,000 students, and English is now made a very important part of the curriculum of those schools. The Jesuits also have two very large schools in Manila, embracing some 1,000 or 1,500 pupils drawn from all parts of the Islands, in which English is made an important branch of the study. There is considerable competition in this matter and there seems now to be a united effort to spread the knowledge of English in accordance with the government's policy. At times, as already intimated, a discordant note is heard in the suggestion that the American Government is seeking to deprive the Filipino of his native language. As his native language is really 15 or 16 different dialects, this does not seem a great deprivation. It is possible that some effort will be made to include in the primary instruction the reading and writing of the local dialect in the local schools. No objection can be made to this unless it shall interfere with the instruction in English, which it is hoped it may not do.

Should Congress be anxious to facilitate and hurry on the work of redeeming the Philippine Islands and making the Filipino people a self-governing community, it could take no more effective step than a permanent appropriation of two or three millions of dollars for ten or fifteen years to the primary and industrial education of the Filipino people, making it conditional on the continued appropriation by the Philippine government of the same amount to educational purposes which it has devoted and is now devoting annually to that purpose. The influence of the educational system introduced

has not only been direct in the spread of education among the younger of the present generation, but it has also been an indirect means of convincing the Filipino people at large of the beneficent purpose of the American Government in its remaining in the Philippine Islands and of the sincerity of its efforts in the interest of their people.

FILIPINO CADETS AT WEST POINT.

Section 36 of the act of Congress, approved February 2, 1901, referring to Philippine Scouts, provides that—

“When, in the opinion of the President, natives of the Philippine Islands shall, by their services and character, show fitness for command, the President is authorized to make provisional appointments to the grades of second and first lieutenants from such natives, who, when so appointed, shall have the pay and allowances to be fixed by the Secretary of War, not exceeding those of corresponding grades of the Regular Army.”

As it is thought that better results will be obtained if a few young Filipinos, especially selected, be appointed to the United States Military Academy with a view to their being commissioned officers of scouts upon graduation, I strongly recommend that Congress, by appropriate legislation, authorize the appointment of seven young Filipinos, or one for about every million of inhabitants of those Islands, as cadets at the Military Academy at West Point. This action on the part of Congress would, in my judgment, tend to further increase the zeal and efficiency of a body of troops which has always rendered faithful and satisfactory services.

SECOND: PRACTICAL POLITICAL EDUCATION.

There is no doubt that the exercise of political power is the best possible political education and ought to be granted whenever the pupil has intelligence enough to perceive his own interest even in a rude practical way, or when other competent electors are sufficiently in the majority to avoid the injury likely to be done by a government of ignorance and inexperience. The Philippine government concluded that the only persons in the Philippines who had intelligence enough to make their exercise of political power useful to them as an education and safe as a governmental experiment were those who spoke and wrote English or Spanish, or who paid \$7.50 a year taxes, or whose capacity had been recognized in Spanish times by their appointment as municipal officials. Adult males who came within these classes, it was thought, ought to begin their political education by assuming political responsibility, and so they were made electors in municipal, provincial, and assembly elections, and embraced, as near as it can be estimated, about 12 to 15 per cent of the adult male population. Of course, as the common school education spreads, the electorate will increase.

Let us now examine the political education which has been given in practice to these eligible electors and the results.

MUNICIPALITIES AND PROVINCES.

By the municipal code the old municipalities under the Spanish régime, which resembled the townships of the West and the towns of New England, were authorized to reorganize under the American Government. They consisted generally of the *población*, or the most centrally located and most populous settlement, with a number of *barrios* or outlying wards or villages, all within the municipality and under its control. The provisions of the code did not differ materially from those of similar codes in the United States, except that wherever possible and practicable the unobjectionable customs of the country were recognized and acquiesced in formally in the law. The towns were divided into classes and the salaries of the officials were limited accordingly. The provincial code provided for the organization of governments in the provinces which had been recognized as provinces under the Spanish régime. Under the original provisions of that code the government of the province—legislative and executive—was under a provincial board, consisting of a governor and treasurer and a supervisor of roads and buildings. Other appointed officers were provided, as the prosecuting attorney and the secretary of the province, who did not sit on the provincial board. The governor was originally elected by the councilmen of all the towns of the province assembled in convention, they themselves having previously been elected by the people. The treasurer and supervisor were each selected and appointed under the rules adopted in accordance with a merit system provided in a civil-service law, which was among the first passed by the Commission.

One of the early difficulties in the maintenance of an efficient government in the provinces was the poverty of the provinces and the lack of taxable resources to support any kind of a government at all. It was soon found that the provincial supervisor, who, it was hoped, might be an American engineer, was too expensive a burden for the province to carry. For a time the district superintendent of education of the province was made the third member of the provincial board instead of the supervisor, whose office was abolished. This, however, did not work well, because the time of the superintendent was needed for his educational duties. Subsequently, therefore, it was thought wise to provide a third member of the board, who served with but little compensation and who was elected as the governor was elected. The system of electing the governor by convention of councilmen of all the towns of the province was changed, so that now the governor and the third member of the board are elected by direct popular vote, while the treasurer is still appointed. It will be

seen that, in this way, the government of the towns is completely autonomous, subject only to visitation and disciplinary action of the governor of the province and of the governor-general on appeal. The provincial government now, though not originally, is completely autonomous in the sense that a majority of the board which governs the province are elected by the people. The duties of the provincial treasurer are burdensome, complex, and important to such a degree as to make it impossible thus far to find Filipinos who have been able to master the duties of the office and to give satisfaction therein, although there are quite a number of Filipino assistant treasurers and subordinates in the office of treasurer who give reasonable ground to expect that the American treasurers may be in a reasonable time supplanted by Filipino treasurers.

The question now arises what has been shown in the government of these municipalities and of the provinces in respect to the capacity of the Filipinos for complete self-government in local matters? It is undoubtedly true that the municipalities would be much more efficient had the policy been pursued of appointing Americans to the important offices in the municipalities, but there would have been two great objections to this course, one that the municipal government would not have attracted the sympathetic attention of the people as the present municipalities have—and we would thus have lost a valuable element in making such government a success—and the other that the educational effect upon the people in training them for self-government would have been much less.

When I say that the development of municipal government in the Philippines has been satisfactory, I am far from saying that it has been without serious defects. All I mean is that considering the two-fold object in view—first governmental, second educational—the result thus far with all its shortcomings shows progress toward both ends and vindicates the course taken.

Up to the time of our occupation, the government had represented to the Filipino an entity entirely distinct from himself with which he had little sympathy and which was engaged in an attempt to obtain as much money as possible from him in the form of taxes. He had been taught to regard an office as the private property of the person holding it and in respect to which ordinary practice justified the holder in making as much profit from it as he could. The idea that a public office is a public trust had not been implanted in the Filipino mind by experience, and the conception that an officer who fails in his duty by embezzlement or otherwise was violating an obligation that he owed to each individual member of the public, he found it difficult to grasp. He was apt to regard the robbing of the government by one of its officers as an affair in which he had little or no interest and in which, not infrequently, his sympathies were against the government. As a

consequence, the chief sense of restraint felt by municipal officials in handling public funds comes from a fear of inspection by the central government and its prosecution. The fear of condemnation by the public opinion of the local community has a much less deterrent force, even if the official is to seek reelection. The sense of responsibility for the government they control and whose officers they elect is brought home to the people of a municipality with slowness and difficulty. This is the political education that is going on in the Filipino municipalities. We are making progress, but we must be patient, for it is not the task of a day to eradicate traditions and ideas that had their origin in a system of government under which this people lived for centuries.

Hence when we find that there is still a considerable percentage of Filipino municipal officers who have to be removed and prosecuted for embezzlement, we must not be discouraged. Early in the American occupation we had to prosecute sixteen or seventeen American provincial treasurers for defalcations in public funds. It was bitterly humiliating for the dominant race to furnish such an example, when we were assuming to teach the Filipinos the art of self-government. The American embezzlers were all promptly sent to Bilibid Penitentiary for long terms. This had an excellent effect upon both Americans and Filipinos in the Islands. The defalcations were due to a lack of good material available for these positions in the Islands. To-day the American provincial treasurers are of the highest order of public servants and are a credit to the American name. Their example has been of the utmost benefit in the training of Filipino municipal and provincial officials.

Another difficulty arising from a similar cause that we have had to meet and overcome has been the disposition of municipal councils to vote all of the available funds for the payment of their own salaries and leave nothing for the improvement or repair of roads, the construction of buildings, or the payment of school-teachers, and this although the law may, by mandatory provision, have set aside certain definite shares of the public funds for such purposes. These evils have had to be remedied by placing the funds in the hands of the provincial treasurer so as to secure the payment of the amount required by law to be devoted to educational purposes and by imposing upon the discretion of common councils to vote salaries from their funds a limitation that the total of salaries shall not exceed a certain percentage of the total funds in control of the town.

The people of the towns seem fully to appreciate the value of roads, but when it comes to exerting themselves and denying themselves for the purpose of securing the great benefit of good roads, they have not thus far nerved themselves to the sacrifice. Many miles of road have been constructed by the central government and then turned over

to the municipalities for maintenance, with the result that in one or two years of the torrential rains the roads have become nothing but quagmires without any work of maintenance or repair done on them. One of the common means throughout the United States for building roads or repairing them is to require all male adults to work upon the roads four or five days of the year, or perhaps a longer period, or to commute the work by payment of a tax. This would be the natural method of repairing roads in the Philippines; but the difficulty is that it was the method adopted by the Spaniards, and in the Spanish times the power of the local authorities to direct free labor upon the roads for a certain period of time was so greatly abused and perverted to the seeking of personal vengeance and the private profit of the local authorities that it has been impossible to obtain any popular support for a system based on the same principle, and good roads have been allowed to go to destruction rather than to run the risk of a recurrence of the old abuses.

A difficulty in connection with the maintenance of roads may be mentioned here. The old-time method of transportation in the Philippines was by a carabao or ox cart with a rigid axle and with solid wheels, the rims of which were so narrow as to cut like a knife into any road over which they traveled. Laws have been passed from time to time imposing a penalty for using wheels on public roads with tires less than a certain width, but it has not been possible to secure such an administration of the law by the provincial governments as to prevent the continuance of this abuse, although means have been taken to furnish at a very reasonable rate sets of wheels with tires of sufficient width to avoid road destruction. Local officials have been loath, when dependent for their continuance in office upon the votes of their fellow-citizens, to enforce a law the wisdom of which they fully recognize, but the unpopularity of which they also know.

It has been found that sanitary measures can not be safely intrusted to municipal authorities for enforcement whenever emergencies arise, but that some local agency of the central government must be created for the purpose. At first full power was given to the municipality to determine by ordinance where cemeteries might be established, having regard to the health of the town. This proved a most convenient instrument for partisan abuse in the religious controversies arising between the Roman Catholics and the Aglipayans. An Aglipayan municipal council would require by ordinance the immediate closing of a Roman Catholic cemetery, although it was not in the least dangerous to health, and then would permit an Aglipayan cemetery much nearer the town and in a really objectionable place. Partisans of the Roman Church in control of other municipalities would abuse their powers in the same way. The con-

sequence was that the central and provincial authorities had to be given direct supervisory control of this matter.

Another defect in many Filipino towns I have already referred to is the evil of caciquism. Too often the presidente and other town officers use their offices to subject the ignorant residents of their respective towns to their business control in the sale of farm products. The officer acts as the middleman in the sale and takes most of the profit from his constituent. The evil is hard to reach because the same power which compelled the sale can usually compel silence and no complaint is heard from the victims until, dimly realizing the injustice done them, they resort to criminal outbreaks and bloody vengeance. While it is too much to hope for the complete eradication of this abuse until the laborer shall acquire enough education to know his rights before the law and how to assert them, there has been much improvement in this regard since the American occupation.

The evil of caciquism shows itself in a more flagrant form when Filipino municipal or even provincial officials are vested with governmental control over non-Christian tribes, or others not of their own race, scattered through the Christian Filipino provinces. These people living in small settlements are slowly working toward a better civilization under the influence of education and are capable of much greater progress if properly treated. Such settlements were originally placed under the regular Filipino provincial and municipal governments within whose territorial jurisdiction they happened to be, but the abuses and oppression to which they were subjected necessitated an entirely different policy with respect to them and the organization of separate governments controlled directly from Manila under the interior department. Mr. Worcester, the secretary of the interior, has given especial attention to the care and development of these non-Christian tribes. It has been necessary to organize in Northern Luzon three or four subprovinces within the territorial limits of the Filipino provinces and to secure the protection of the non-Christians by the appointment generally of an American lieutenant-governor. This is also true in the province of Misamis and of Surigao in Mindanao, where it was found impossible to induce the provincial officers to spend the money appropriated out of the insular treasury for the benefit of the people for educational and road improvements directed by the central authority. The fact that the recent, and for a time seemingly incurable, tendency to disturbance in Samar has grown out of a similar cause in that island, I have already commented on in connection with another subject.

The city of Manila has not been given autonomous government. It is under the control of a municipal board of five persons appointed by the central government and is governed therefore as Washington

or the City of Mexico is governed. In the proper improvement of Manila, some six or eight millions of dollars had to be expended and much business experience and foresight were required to build the new waterworks and the new sewer system, to repave the streets, to canalize the esteros, or creeks, to organize an effective police force and a new fire department. It was thought that it would not be safe to intrust the conduct of such important business matters to a body selected by the electorate of Manila for the first time. The city of Manila has been well governed. Very large sums of money have been expended in most extensive improvements and not the slightest scandal or dishonesty has been charged in any of the city administration. It has offered a most useful model for other municipalities in the Islands to follow and has lent her engineers, her policemen, and her firemen to other towns to help the latter to better organization.

This review of shortcomings in municipal governments in the Philippines should not have the effect of discouraging those who are interested in the success of the experiment. They should be reminded that in the United States, municipal government has not been such a shining success. Moreover, the defects pointed out are not found in all Filipino towns. They have been referred to only to qualify properly the statement, which I do not hesitate to make, that autonomous municipal governments are making good progress and are gradually accomplishing the purposes for which they were created, though not so efficiently as with a people more used to governing themselves, more trained and educated in the assertion of their rights, and imbued with a higher standard of public duty. When those responsible for the policy of autonomy in municipal and provincial governments assert that it is progressing successfully, they find their words to be construed by enthusiastic theorists, who are convinced *a priori* of the complete fitness of the Filipinos to govern themselves, as completely establishing the correctness of their view; and when, on the other hand, they point out the defects in such local governments they meet the cry made by pessimists and by thick and thin adherents of the English crown-colony system that this is an admission of failure and a concession that we have gone far too fast in intrusting local governmental power of the Filipinos.

The truth, as I conceive it, lies between the two extreme positions, and while the policy adopted does not secure the best municipal government which might be secured under American agents, it does provide a fairly good government, with a training and experience and educational influence upon the people which is slowly but progressively curing the defects incident to a lack of political training and proper political ideals. The result indicates neither that the Filipinos are fitted at once for complete self-government nor does it justify the view that they may not be ultimately made capable of

complete self-government by a gradual extension of partial self-government as they may become more and more fit to exercise it.

When we come to the provincial governments, we naturally have to deal with a higher order of public servants, and although we here and there find the defects I have described as occurring in municipal governments, they are less glaring and less discouraging. The truth is, that with the guidance of the provincial treasurer, who is an American, and the sense of added responsibility that the presence of two Filipinos in the provincial board has instilled in them, the provincial officials begin to take pride in the good condition of their province. This has been stimulated by close and constant correspondence between them and the central government at Manila, represented by the assistant executive secretary, Mr. Frank Carpenter, in which provincial matters are discussed, by an annual conference of provincial governors at Manila, and by conditional contributions from the central government to provincial funds for various forms of provincial efficiency, and is evidenced by the greater amounts devoted by the provinces to the construction of public buildings, the repair and construction of roads and bridges and by the husbanding of resources and the keeping down of salaries.

The system of examination of the finances of the municipalities and of the provinces is now, as conducted in the Islands, very complete, and in one large printed volume is published the balance sheet of every province and of every municipality in the Islands for each fiscal year, so that it is possible to take a bird's-eye view each year of the financial progress made in the management of each province and town. The improvement in the financial condition of the provinces over and above what it was four or five years ago itself speaks forcibly in favor of the progress which has been made by Filipinos in provincial government.

One of the early difficulties in provincial government already pointed out was the lack of tax resources, which prevented payment of adequate salaries or the making of much-needed improvements. With the sympathetic aid and suggestion of the central government, and by the voluntary assumption of greater taxes by the people, all the provinces, save two or three, have made themselves self-supporting and have been enabled to pay good salaries. They differ largely in the amount of money that they have been able to devote to the construction of public buildings and to roads and bridges, but they are certainly beginning to appreciate the necessity for effort in this direction, and while they have refused thus far to adopt the system of a few days' enforced labor commutable by taxes, they are gradually coming to the adoption of a poll tax for public roads which in its essence and its alternatives will ultimately be an equivalent of such a system.

The report of the Auditor of the Islands shows a most gratifying improvement in the financial condition of the towns and provinces for the last five years. While the financial condition is not invariably indicative of the general character of a municipal or provincial government, a steady improvement in it from year to year is reasonably good evidence that matters of government are mending in every way.

The question of roads and bridges has not yet been solved in the Philippines. There remains yet an enormous amount of labor and capital to be expended for this purpose, but the seeds have been sown which I am convinced will lead, under the executive force and great interest of Mr. W. Cameron Forbes, the secretary of commerce and police, to the adoption of a *caminero* system of road repairs and maintenance which will make the intercommunication by wagon road between the various parts of the various islands satisfactory. I shall not stop to dwell on the great inherent difficulty that there is in the construction and repair of roads in the Philippines. The absence of suitable material and the destructive effect of every wet season sufficiently account for the present unsatisfactory condition in this respect. The principle rigidly adopted and enforced now is, however, that no bridge and no public building shall be constructed of anything but permanent materials—either concrete, hard wood, or metal—or iron or steel, and that no road shall be built except in a manner which shall enable local authorities, with reasonable expense, to keep it in permanent repair. In times past the necessity for haste and supposed economy has led to the use of softer woods and temporary methods of construction, which are now turning out to be much more costly than if the original expenditure had been greater.

CIVIL SERVICE.

The organization and maintenance of the central government were directed not only with a view to its efficiency, but also to its educational effect upon the Philippine people. This is shown in the appointment of three Filipinos to constitute three-eighths of the insular legislature, as well as by the opportunity offered to Filipinos to enter the civil service under a civil-service law embodying the merit system. In the beginning it was difficult to work Filipinos into the bureaus of the central government, because few of them knew English and fewer understood the American business and official methods, which, of course, obtained in the new government. As the years went on, however, under great pressure from the Commission, the proportion of Filipinos in the service was increased from year to year. Many natives had learned English and had shown an increasing aptitude for the work of the civil service. Still in many of the bureaus the progress of Filipinos to the most responsible

places is necessarily slow and the proportion of them to be found in the positions of high salaries is not as large as it ought to be in the near future. The winnowing-out process, however, is steadily reducing the American employees in the civil service. It has become a body of highly deserving, faithful public servants, whom, it is hoped, the Philippine government will make permanent provision for by secure tenure for a certain number of years with a reasonable retiring pension.

As was inevitable in the complete organization of a government effected within a few months, experience indicated that greater economy might be secured by a reduction in the number of bureaus and bureau chiefs, by the consolidation of offices and bureaus, and by the still further substitution of competent Filipinos for higher-priced Americans.

It is now nearly three years ago, therefore, since a committee of insular officials with Commissioner Forbes as chairman was appointed to make a vigorous investigation into the entire governmental system. The committee made radical recommendations as to curtailment, most of which were adopted and resulted in a very material decrease in the cost of government and increase in the proportion of Filipino employees.

In the department of justice, including the judiciary, the proportion of Filipinos had always been high. The chief justice of the supreme court and two of his associates were Filipinos, while nearly half of the judges of the courts of first instance were also natives. All but two of the prosecuting attorneys in the 35 provinces, all the justices of the peace, and nearly all the court officers were Filipinos. For two years the attorney-general of the Islands has been a Filipino.

The changes in the proportion of Filipino civil servants to the whole number from year to year can be seen in the following table:

	Americans.	Filipinos.
1901.....	2,044	2,562
1902 ^a		
1903.....	2,777	2,697
1904.....	3,228	3,377
1905.....	3,307	4,023
1906 ^a		
1907.....	2,616	3,902

^a Statistics not available.

CIVIL RIGHTS.

Before discussing the provision for the national assembly and its influences, educational and otherwise, I must refer to the effort of President McKinley to extend to the Filipinos the guaranties of life, liberty, and property, secured by the Federal Constitution to those

within Federal jurisdiction. The guaranties assured in the instructions of Mr. McKinley included all those of the Federal Constitution except the right to bear arms and to trial by jury.

The right to bear arms is one that can not safely yet be extended to the people of the Philippines, because there are among those people men given to violence, who with the use of arms would at once resort to ladronism as a means of livelihood. The temptation would be too great and ought not to be encouraged. Nor are the people fit for the introduction of a jury system. Not yet has any considerable part of the community become sufficiently imbued with the sense of responsibility for the government and with its identification with the government. This responsibility and identification are necessary before jurors can sit impartially between society and the prisoner at the bar. Without it they are certain always to release the prisoner and to sympathize with him in the prosecution against him. The fair treatment of the prisoner is sufficiently secured in a country never having had a jury trial by the absolute right of appeal from the decision of a single judge to the decision of seven judges, with a writ of error thence to the Supreme Court of the United States. It may be that in the future it will seem wise gradually to provide for a jury in various classes of cases, but at present it would be premature.

The civil rights conferred by Mr. McKinley's instructions were expressly confirmed by the organic act of July 1, 1902. It has been the purpose of the Philippine government to make the extension of these rights a real thing and a benefit for the poorer Filipino, and progress is being made in this direction. The great obstacle to it arises from the ignorance of the people themselves as to what their rights are and their lack of knowledge as to how those rights may be asserted.

The work of impressing a knowledge of these things upon the people goes, however, rapidly on, and with the education in English of a new generation and their succession to the electorate, we can be certain that the spread of education as to popular rights and the means of maintaining them will be wider and wider, until we can have a whole community who know their rights, and knowing, dare maintain them.

Charges have been made that the existing Philippine government has not properly preserved these guaranties of civil rights. It is true that the Commission has, in effect, suspended these guaranties in a condition equivalent to one of war in some of the provinces, and has been sustained in so doing by the supreme court of the Islands and of the United States. It is also true that during a condition equivalent to war the Commission provided that no one should advocate independence, even by peaceable means, because agents of insurrec-

tion were inciting actual violence under the guise of such peaceable propaganda. With the coming of peace, the statute ceased to have effect. To-day, however, the writ of habeas corpus runs without obstruction. The liberty of the press and of free speech is real. There is no censorship of the press and no more limitation upon its editors than there is in the city of Washington. The publication of criminal libel or seditious language calculated and intended to cause public riot and disturbance is punishable in Manila and the Philippines as it is in many of the States of the Union. This freedom of discussion and this opportunity to criticise the government, educate the people in a political way and enable them more intelligently to exercise their political rights.

THE NATIONAL ASSEMBLY.

In recommending to Congress the provision for a national assembly contained in the organic act of the Philippine government, Secretary Root and the Commission were moved by the hope and belief that the promise in the act, conditioned, as its fulfillment was, on the existence of peace in the Islands, would stimulate activity on the part of all Filipinos having political ambition to bring about tranquillity. In this respect, as already pointed out, the result has abundantly vindicated their judgment. They were further moved by the conviction that this step toward greater popular self-government would strengthen the hands of the Government by securing from the people readier acquiescence in, and greater obedience to, measures which their representatives had joined in passing, than when they were the decrees of an alien government. They further believed that by means of the assembly much more exact and practical knowledge of the needs of the country would be brought to the law-making power than in any other way. Finally, they thought that the inauguration of such an assembly would be a most important step in the main plan or policy of educating Filipinos in the science and practice of popular representative government. They were aware of the possible danger that this was a step too far in advance. They did not deny that on the part of a number elected there would be a strong inclination to obstruct the smooth working of existing government on lines of political and material progress. They anticipated the probability that in the first assembly elected the majority would be in favor of immediate independence; but in spite of all this they were clear in their forecast that the responsibilities of power would have both a sobering and educational effect that would lead ultimately to conservatism of action and to strengthening the existing government.

Let us now consider what has happened in the electoral campaign for the assembly and in its early life as a legislative body.

The powerful influence for good and for peace exercised by the Federal Party in the period just after Mr. McKinley's second election I have dwelt upon at another place. The main purpose and principle of the party was peace under the sovereignty of the United States. In drafting a platform its leaders had formulated a plank favoring the organization of the Islands into a Territory of the United States, with a view to its possibly becoming a State. From this plank it took its name. In the first two or three years after its successful effort to bring on peace, many prominent Filipinos having political ambition became members, and in the gubernatorial elections the great majority of governors elected were Federals. And so substantially all who filled prominent offices in the government by appointment, including the judges, were of that party. Then dissension arose among prominent leaders and some withdrew from the party. The natural opposition to a government party led to the organization of other parties, especially among those known as *Intransigentes*. The Federal Party had founded an organ, the *Democracia*, early in its existence. The opponents of the government looking to immediate independence founded a paper called the *Renacimiento*. The latter was edited with especial ability and with a partisan spirit against the American Government.

For two years before the election of the Assembly the Filipinos who sympathized with the *Renacimiento* were perfecting their organization to secure a majority in the assembly. Many groups were formed, but they all were known as the *Partido Nacionalista*. There was some difference as to whether to this title should be added the word "*inmediatista*," but the great majority favored it. The party is generally known as the *Nacionalista Party*. During much of these same two years, the Federal Party was dormant. The proposition for statehood did not awaken enthusiasm anywhere. Many of the leaders were in office and felt no necessity for vigorous action. The quarrel between some of the directors had given the party paralysis. The party was not organized for political controversy with another party at the polls. It was merely an organization to give effective resultant force to the overwhelming feeling in favor of peace under United States sovereignty, and it was not adapted to a political fight on issues that were not in existence when it was at the height of its power for usefulness. On the other hand, in the Federal Party were many of the ablest and most conservative of the Filipinos, and it seemed wise that this nucleus should be used to form a party that represented conservatism on the issue as to independence, which the opponents of the government determined to force into the campaign for members of the assembly. It was an issue hardly germane to the subject-matter within the jurisdiction of the assembly, but it had to be met.

The issue whether the Islands should have immediate independence turned on the question whether the Filipino people are now fit for complete self-government. Upon this question it was entirely natural that the burden should fall upon those who asserted the negative, and it is not strange that the electors, or a majority of them, should believe themselves and by their votes decide themselves to be competent.

Some six months before the elections, there sprung from the ashes of the Federal Party a party which, rejecting the statehood idea, declared itself in favor of making the Philippines an independent nation by gradual and progressive acquisition of governmental control until the people should become fitted by education and practice under American sovereignty to enjoy and maintain their complete independence. It was called the Partido Nacionalista Progresista. It is generally known as the Progresista Party. The Progresista leaders were late in the field and were somewhat at a disadvantage on this account; but after they entered the fight they were energetic and vigorous. They did not mince words. They took the position fully and flatly that the people of the Philippines were not fitted for immediate independence and complete self-government and needed much education and experience before they should become so. It was natural to suppose that the cry of complete fitness for self-government was the popular one and that it would attract votes. This impression showed itself in a somewhat amusing way. The first independence party, as I have said, called itself the Partido Nacionalista Inmediatista. The title and organization were not radical enough for a group that broke away and called itself Partido Nacionalista Urgentissima, which was supposed to indicate a party whose yearning for independence was greater than that of those who wished it immediately. This was followed by the organization of a new group who showed that they were not to be outdone in the fervor and anxiety with which they sought independence and votes for their candidates by calling their party Partido Nacionalista Explosivista.

The campaign in the last two or three months was carried on with great vigor. The Nacionalistas had the advantage of being understood to be against the government. This, with a people like the Filipino people, who had been taught to regard the government as an entity separate from the people, taxing them and prosecuting them, was in itself a strong reason for popular sympathy and support. The Progresistas were denounced as a party of officeholders. The government was denounced as extravagant and burdensome to the people. In many districts the Nacionalista candidates promised that if they were returned immediate independence would follow. There

were quite a number of candidates in country and remote districts where the controversy was not heated who did not declare themselves on the main question, and maintained an independence of any party. They were known as Independientes. Then, there were other Independientes who declared themselves independent of party, but in favor of immediate independence.

The elections were held on July 30. Members were elected from 80 districts into which the Christian Filipino provinces were divided. The result of the canvass was the election of 16 Progresistas, 1 Catolico, 20 Independientes, 31 Nacionalistas, 7 Inmediatistas, 4 Independistas, and 1 Nacionalista Independiente, in all 80 members.

The total vote registered and cast did not exceed 104,000, although in previous gubernatorial elections the total vote had reached nearly 150,000. The high vote at the latter elections may be partly explained by the fact that at the same elections town officers were elected, and the personal interest of many candidates drew out a larger number of electors. But the falling off was also in part due, doubtless, to the timidity of conservative voters, who, because of the heat of the campaign, preferred to avoid taking sides. This is not a permanent condition, however, and I doubt not that the meeting of the assembly and the evident importance of its functions when actually performed will develop a much greater popular interest in it, and the total vote will be largely increased at the next election.

I opened the assembly in your name. The roll of the members returned on the face of the record was called. An appropriate oath was administered to all the members and the assembly organized by selecting Señor Sergio Osmeña as its speaker or presiding officer. Señor Osmeña has been one of the most efficient fiscals, or prosecuting attorneys, in the Islands, having conducted the government prosecutions in the largest province of the Islands, the province and island of Cebu. He was subsequently elected governor, and by his own activity in going into every part of the island, he succeeded in enlisting the assistance of all the people in suppressing ladronism, which had been rife in the mountains of Cebu for thirty or forty years, so that to-day there is absolute peace and tranquillity throughout the island. He is a young man not 30, but of great ability, shrewdness, high ideals, and yet very practical in his methods of dealing with men and things. The assembly could have done nothing which indicated its good sense so strongly as the selection of Señor Osmeña as its presiding officer.

Many successful candidates for the assembly seem to have embraced the cause of the Inmediatistas without having thought out deliberately any plan by which a policy of immediate independence could be carried out. They joined the party and united in its cry because it was a popular one and because they thought that this was an easy

method of being elected, or rather because they thought that without this, election would be difficult. When the assembly met it was quite apparent that the great majority were much more anxious to vindicate their election as a dignified, common-sense, patriotic branch of the legislature by a conservative course than to maintain consistency between their acts as legislators and their ante-election declarations. There are, of course, some members who are likely at times to make speeches containing violent language, but on the whole there seemed to be during my stay in the Islands, of two or three weeks after the organization of the assembly, a very earnest wish that the assembly should show the conservatism which many of us believe exists in the Philippine people, rather than it should give a weapon to the enemies of the people and popular government by extravagance and useless violence of speech.

Since I left the Islands the Assembly has voted for two resident commissioners to represent the Islands at Washington as provided in the organic act of the Philippine government. These commissioners are elected by the Assembly and the Commission sitting in separate session. The two candidates tendered by the Assembly to the Commission and accepted by the latter were Mr. Benito Legarda, at present one of the Filipino Commissioners, and Mr. Pablo Ocampo, of Manila. Mr. Legarda is one of the founders of the Federal Party and a Progresista. He has been many times in the United States and speaks English. He is one of the most prominent and successful business men in the Islands, and a public-spirited citizen of high character. Mr. Ocampo was an active sympathizer with the insurrection and acted as its treasurer. He was deported to the island of Guam by the military authorities in the days of the military government. He is a prominent and able member of the bar of the Islands and a man of high character. He took part in the organization of the Nacionalista Party which he wished to have called Unionista. He is understood to have objected to the word "inmediatista" and to have withdrawn from the party on that account.

As a shibboleth—as a party cry—immediate independence has much force, because it excites the natural pride of the people, but few of their number have ever worked out its consequences, and when they have done so they have been willing to postpone that question until some of the immediate needs of the people have been met. I may be wrong, but my judgment is that the transfer of real power by giving to the people part of the legislative control of the Christian provinces sobers their leaders with the sense of responsibility and teaches them some of the practical difficulties of government. They wish to vindicate their view in respect to their fitness to govern themselves completely by exercising the power of the government which has been accorded to them in a way to make the people of the United

States and of the world believe that when greater power is extended, they may be trusted to exercise that with equal discretion and conservative common sense. They are now a real part of the government of the Islands. Nothing can be done affirmatively without the consent of the Assembly. They have been through one election and have made election promises. Many of those promises, such as the promises of immediate independence, were of course entirely beyond the authority of the promisers. When they go back to their constituents at the next election they will find facing them not only their ante-election promises, but also responsibility for legislation and failure to legislate which will introduce new issues of a practical character, and will necessitate explanation and a caution of statement that was entirely absent in the first campaign. All this can not but have a wholesome effect upon the politics of the Filipinos and the Philippines. I do not for a moment guarantee that there will not at times be radical action by the Assembly, which can not meet the approval of those who understand the legislative needs of the Islands, but all I wish to say is that the organization and beginning of the life of the Assembly have disappointed its would-be critics and have given great encouragement to those who were responsible for its extension of political power.

The Inmediatistas, having a majority in the Assembly, are prone to divide into groups. The Independientes are organizing as a party, drawing tighter party lines, and at times act with the Progresistas, who, with their 17 votes, are enjoying the advantage of the minority party in maintaining a solidarity and party discipline that it is impossible for the leaders of the majority and the controlling party to attain. It would not be surprising if at the next election there should be a readjustment of party lines and division on other issues than those which controlled at the first election.

While I was in the Islands, provincial elections were held, at which were elected governors and third members of the provincial boards. The elections were held on party lines. The total vote exceeded that at the Assembly by more than 50 per cent. Of the governors elected, 15 were Nacionalista and 15 were Progresista. Of the third members, 15 were Nacionalista, 13 were Progresista, and 2 were of unknown party affiliation. From this it would seem that the Nacionalista victory in the Assembly election should not be taken as an assurance that a permanent majority of the electors will continue to favor immediate independence.

The Assembly has shown a most earnest desire, and its leaders have expressed with the utmost emphasis their intention, to labor for the material prosperity of the Philippines and to encourage the coming of capital and the development of the various plans for the improvement of the agriculture and business of the Islands which

have commended themselves to those in the past responsible for the government there. In other words, thus far the Assembly has not manifested in any way that obstructive character which those who have prophesied its failure expected to see, and who, in this respect, paradoxical as it may appear, are equally disappointed with those anti-imperialists who have hopefully looked to the Assembly as a means of embarrassing the present government.

The organization of the Assembly is one of the great steps in the education of the Filipino people for complete self-government. One of the assumptions which must be guarded against, but which we always encounter, is that the conservative and successful use by the people of an instrumentality like that of the national Assembly is convincing proof of the people to enjoy greater power and reason for an instantaneous granting of that power. This is at variance with the theory upon which the power is granted. That theory is that the use of such an instrument is valuable chiefly as a means of educating those who use it to the knowledge of how it ought to be used and to conservatism in its use. The fact that on receiving it the people use it conservatively is by no means sufficient proof that if it were not subject to ultimate control, guidance, and restraint by the agents of the United States, it might not be misused. It is most encouraging to find it conservatively used and vindicates those who urged its adoption, but it is far from demonstrating that this conservative use, subject to the limitations upon its power which now exist and which have a necessary tendency to make its use conservative, would be preserved under conditions in which those limitations were entirely removed. The moderate use of such an Assembly for a reasonable time may properly form a ground for the greater extension of power and the removal of some of the limitations. Progress in such a matter to be safe must be gradual.

I can not refrain from saying at this point that the attitude of the national Assembly has been much influenced by the confidence that the members and the Filipino people have in the sense of justice and impartiality of Governor-General Smith and the deep sympathy which they know he feels in their welfare and in their hopes of continued progress. He knows the Filipino people better than any other American, and he spares no effort to reconcile their real needs and their earnest desires.

I have reviewed the history of the governmental organization in order to show the consistency of the American Government in adhering to the policy laid down by President McKinley, of gradually extending self-government to the Filipinos as they shall show themselves fit. We first, therefore, have the autonomy of the municipality, restrained by the disciplinary action of the governor-general, the restraint upon the expenditure of its funds by the provincial treas-

urers, and the audit of its funds by the central authority; second, the partial autonomy of the provincial governments in the election of a governor, the more complete autonomy by the constitution of the provincial board of two elective members out of three, the restraint upon the board by the presence of a member of the provincial board appointed by the governor, the visitatorial powers of the governor-general for disciplinary purposes in respect of the provincial officers, the restraining influence and assistance of the central constabulary force, the modification of complete American central control by the introduction of three appointed Filipinos into the Commission, followed after five years by the inauguration of a completely popular elective Assembly to exercise equal legislative power with the Commission. This progressive policy has justified itself in many ways, and especially in the restoration of order to which I have already referred.

SANITATION.

There is always present in every picture of Philippine progress as painted by those who have not carefully investigated the facts, a somber background of a baneful climate making it impossible for the American or European to live in health and strength in the islands for any length of time. It is true that the islands are in the Tropics, and that the variations in temperature are only about a third as much in extent as in the Temperate Zone; but, for a tropical climate, that of the Philippines is exceptionally comfortable and healthful. The monsoons blow six months from southwest across the islands and six months from the northeast, so that they are constantly windswept. This makes a radical difference between the climate of the islands and that of the lowlands of India for instance. The last two decades, especially the latter, have taught us much in respect to tropical diseases, their causes, their proper treatment, and the best method of avoiding them. This was one of the most valuable results of the Spanish war.

In his address as president of the Philippine Medical Association, in March, 1905, Dr. John R. McDill, who came first to the islands as a leading army surgeon and who left the Army to carry on a most successful practice in Manila, said:

We have come to esteem to the utmost the climate which so effectually guards many of you against the too strenuous life and which is almost ideal eight months in the year, even in Manila. Our professional experience has proven that, excepting some intestinal disorders which we are rapidly preventing and curing, and a limited amount of epidemic infectious diseases, there is nothing unusual about the kind or amount of disease encountered here, or its successful treatment when hospital care is available. The surgeon's work has fully demonstrated that ideal wound healing and convalescence after operation

is as much the rule here as anywhere in the world. We physicians also know that, and appreciate that the dread diseases of childhood so prevalent at home are rare here, and that of all the ills particularly among women from real bodily ailments to a poor complexion for which the climate is usually blamed, the great majority are hereditary or acquired, were brought here by the patient and often aggravated by careless and unhygienic living. For old people and children, the climate is an earthly elysium. * * * With the improved and constantly improving conditions of living, we believe that almost all will agree that by observing the normal and moral life, healthy Americans can live about as long here and enjoy as good health and do as much good and hard work, more than three-fourths of the year, as we could in the home land.

The death rate among American soldiers in the Philippines for the last year was 8.5 per thousand, and the previous year 8.65. General Wood reports that the size of the sick report can not be properly charged to the climate, that, taken as a whole, the reports for the years indicate a decided improvement in health conditions, and that the men leaving the islands after a regular tour of more than two years present a far better appearance than those of the incoming.

The death rate among American civilians in Manila for the fiscal year ending June 30, 1907, was 5.59 per thousand, a reduction from the previous year. The death rate among Filipinos this year in Manila was 36.9 per thousand and among Spaniards 15.84, both reductions from the previous year.

During the decade of our stay in the islands, the conditions of life for Americans have steadily bettered. We have become acquainted with hygienic methods of living, and the death rate of Americans of the same social condition in the Philippines is certainly not greater than in the cities of the Southern States, and is, as we have seen, very much less than that among Filipinos.

If the United States is to continue its governmental relations with the Philippines for more than a generation, and its business and social relations indefinitely, the fact that Americans can live healthful lives in the Philippines is important of itself; but I have cited these statistics and this expert opinion to show more than this—I believe that it has an important bearing upon another kind of progress possible among the Filipino people, and that it opens another important field of education for the American government to cultivate in the islands.

No one can be in the Philippines long without realizing that as a race the Filipinos are small of stature, slight of frame and flesh, and with small powers of resistance to epidemic diseases. It has been supposed that because of their nativity the Filipinos were not subject to the malarial, intestinal, and dysenteric troubles that afflict Americans and Europeans, and that measures taken to avoid or cure such troubles in the case of the foreigner were unnecessary and superfluous with the Filipinos. Recent investigations of a systematic kind, carried on by keeping comparative statistics of all the official autopsies made in the

islands, seem to show that the assumption that the Filipinos are immune from the forms of disease I have mentioned is without foundation. The autopsies of 100 cases showed in a great majority the germs of malaria, of amœbic dysentery, and that microbe of the so-called "lazy" disease of Porto Rico known as the "hookworm." It is true that the diseases were not active or acute, but their presence in the system of course weakened the constitution of the subject and could easily explain his anæmic condition, his smallness of stature, and small powers of resistance. Malaria, of course, is produced or at least transmitted by the mosquito, while amœbic dysentery and the "lazy" disease are water-borne and proceed directly from the miserable sources of water supply in most Filipino towns. Proper precautions can avoid all these; or at least can greatly reduce the number of victims.

In Manila, 60 per cent of all infants born die during the first year of their lives, and there is no reason to believe that infant mortality in other parts of the islands is less. This frightful percentage is brought about by ignorance and neglect of the mothers in feeding their babies. There are very few if any milch cows in the islands, and the little ones are fed with all sorts of impossible things. They die generally of a lack of nourishment. There is no reason why, if the mothers were correctly taught and proper infant food were brought within the reach of the poor, this awful rate of infant mortality might not be reduced. Not only is there an actual loss of life which might be avoided, but the babies which live through such treatment and nourishment are not apt to make strong men and women, but are likely to become victims of anæmia and other diseases mentioned as shown in the autopsies I have referred to.

I do not think it is unjust to the Spanish régime in the Philippines to say that very little if any attention was paid to sanitation according to modern methods. In the city of Manila and in the other large towns of the islands the American military medical authorities, who were the first to assume responsibility for the health of the islands, found the same utter disregard of the proper rules for the disposition of house sewage that was found in Habana. Thousands, yes, tens of thousands, of Filipinos were carried off year after year by a peculiarly virulent type of smallpox.

In Manila, in Cebu, and in Nueva Caceres, respectively, were leper hospitals, but in each the management was inefficient and the care of the inmates poor. More than this, no supervision was exercised to isolate lepers not in hospitals. Some times the poor creatures were driven out of villages by popular riots and herded together with no proper food and no shelter. The contact of lepers with the people of course only increased the number of cases of the dread disease.

In 1885 or 1886 the islands were visited by an epidemic of cholera and the prostration of the people of Manila and the Philippines, due to the rapid spread of the scourge, beggared description. In Manila the deaths were 1,000 or more a day from that cause alone for a number of weeks. The trade proximity of Manila, Iloilo, and Cebu, to China, India, Java, Burma, and the Straits Settlements, makes the danger of transmitting tropical and other infectious diseases very much greater.

Quarantine in Spanish times was lax. The American Army medical authorities took hold of the matter of sanitation in their usual vigorous way and made much progress in the matter of quarantine and in correcting the glaringly insanitary conditions in Manila. But it remained for the civil government to effect a thorough organization of a health department which could do permanent good.

The introduction of sanitary methods by law among the people has given rise to more dissatisfaction and greater criticism of the government than any other one cause. The truth is that the people have to be educated in the effectiveness of such methods before they can become reconciled to them, and the work of the health department since the beginning of the civil government in 1901 has been obstructed, first, by the inertia and indifference of the people in respect to the matter, and second, by their active resistance to affirmative restraints upon them necessary to prevent disease.

The fight against smallpox has been so successful that in the past year not a single death from it occurred in Manila, and in the provinces of Cavite, Batangas, Cebu, Rizal, Bataan, La Laguna and La Union, where, heretofore there have been approximately 6,000 deaths per year not one was reported. In the few places in other provinces where smallpox appeared it made little headway. More than 2,000,000 vaccinations against smallpox were performed last year, and vaccination is being carried on so that it will reach every inhabitant of the islands.

In 1902 Asiatic cholera appeared. The loss the first year by reason of the methods introduced was much less than it had been fifteen or sixteen years before, but great difficulty was encountered in putting into force the health regulations and a futile attempt was made to establish quarantine between localities in the islands. Since that time a better system of isolation and stamping out the disease in the locality where it appeared has been followed, and it is gratifying to note that although the dread disease appeared each year, it was finally brought to an end on November 27, 1906, and the authorities now feel that the people have been so thoroughly roused to the best methods of treating the disease that any local reappearance of it can be readily suppressed.

In 1902 or 1903 the bubonic plague appeared in the islands. This has been suppressed by the isolation of all persons suffering from the disease and the destruction of plague-infected rats so that during the last year there were no cases of bubonic plague whatever.

When the Americans first began government in the Philippines it was reported that leprosy was so widely extended in the islands that there were probably from 25,000 to 50,000 lepers to be cared for. After many unsuccessful efforts a leper colony has finally been established at Culion, a healthful and attractive island between Panay and Palawan, to which all the lepers of the islands are now being gradually removed. The number probably does not exceed 3,000. The course pursued is to take each province separately and by thorough investigation of the reported cases of lepers, determine those of true leprosy and to remove them thence to the colony of Culion. The experiment at first was a doubtful one because of the objection of the lepers to being taken so far away from their homes, and some of the friends of lepers made vigorous objections to this course. After the removal of the first 500, however, and when they found how comfortable and agreeable life at Culion was, the objections ceased. Leprosy as a disease usually does not directly kill its victims, but it so weakens the powers of their resistance that the rate of mortality from other causes among lepers is very high. The system of isolation and withdrawing lepers from the thickly populated communities has been at once justified by the reduction in the number of new cases. The number of known lepers in the archipelago on September 1, 1905, was 3,580; on June 30, 1907, it was 2,826, a decrease of 654, due to the death of the known lepers without any spread of the disease as had been the case in previous years and under different conditions. The policy of removal of lepers is one which can only be carried out gradually and has been applied only to a part of the provinces, but it will probably be completed in three or four years when all the lepers will be removed to Culion and the effect of this isolation will certainly be to reduce the infection of healthful persons with the awful disease to a minimum.

The fruitful source of the spread of amoebic dysentery is the drinking of impure water. The water supply of Manila is drawn from the Mariquina River after it has passed through three or four thickly populated towns and an immense amount of trouble and labor has been expended in trying to preserve the river from contamination by these towns. Military forces have been picketed along the banks and the most stringent regulations have been enforced against the inhabitants. Much has been accomplished in this matter, but still the water is dangerous to drink unless boiled and filtered. With a view to the removal of this difficulty, new waterworks are in the process of building at a cost to the city of Manila of about two millions of dollars.

The water is to be drawn from a point very much farther up the Mariquina River, at a distance of about 25 miles from Manila, and is to be accumulated in a reservoir by damming the river at a point where nature apparently intended a dam to be put. Pure mountain water will thus be obtained which is to be carried to the city of Manila simply by the power of gravity. The new improvement is 80 per cent done and water will flow into the city probably by July of 1908. In addition to this a new sewer system has been projected and is under construction in the city of Manila and 18 miles of the deep and main trunk sewers have been laid in the city. The mileage of the remainder of the sewers is very much greater, but the engineer estimates that about half of the work has been done. The project contemplates the establishment of reservoirs and the pumping of sewage out into the bay at such a distance as to prevent its retaining any noxious character. The difficulty of sewerage Manila can be understood when it is known that the level of the ground in the city is only a few feet above high-water mark. With the completion of the water and sewer systems and the canalization of the esteros or canals, with which the city is threaded, a work which is projected and which will cost about \$400,000, there is no doubt that Manila will become as healthful a tropical city as there is in the world.

The very high death rate in the city is due to the frightful mortality among the native infants under 1 year of age already alluded to. The absence of pure milk for babes in the Philippines accounts for a good deal of this mortality, and a charitable organization has been established for the circulation at reasonable cost of milk for infants among both the poor and rich classes. The destruction of all the horned cattle by rinderpest has reduced the supply of milk and made it expensive. This adds greatly to the difficulty presented. The lack of nourishment makes the child an easy victim to any disease, and until Filipino mothers are taught properly to bring up their children, we may expect this infant mortality to continue, but it is subject to cure, and the methods adopted by the government and the charitable organizations, including the churches, whose interest is aroused, may be depended on to bring about a reform in this matter.

It is a fact that throughout the islands, too, a great deal of the mortality, among both children and adults, is due to water-borne diseases. The supply of water in each village is generally contaminated and noxious. The government has taken steps to induce every town to sink artesian wells for the purpose of giving its inhabitants pure water. Several well-boring machines have been purchased by the government and have been offered to the towns for use by them on condition of their supplying the fuel and the labor necessary. Wherever artesian wells have been sunk and a good supply of water found, the death rate in the town has been reduced 50 per cent. With

a knowledge of the effectiveness of this remedy, it is certain that the government will continue to press upon the towns the necessity of the comparatively small expenditure necessary to secure proper water, for it appears that in most towns in the islands artesian water is available.

There is no reason why the whole Filipino race may not be made stronger and better by the pursuit of proper sanitary methods with respect to the ordinary functions of life. The spread of education, the knowledge of cause and effect in this matter, together with the sympathetic assistance and regulation of the government are all that is needed to rid the Filipino of the obstructions to bodily growth and strength which injurious microbes and bacteria living in the body now create. The bureau of health and the bureau of science, which has actively aided the bureau of health in the investigations made, have now commended themselves to the Filipino people in such a way that there is every reason to hope that the foundation for better health in the islands has been permanently laid.

The government has this year established and begun a Government Medical School, the faculty of which is made up partly of Filipinos and partly of Americans, and the most modern methods of instruction are projected. A fine laboratory, already erected near the place where the medical school building is to be constructed and a general government hospital in the immediate neighborhood will furnish a nucleus for the study of tropical diseases and the proper methods of sanitation. The graduates of this college as they grow in number and spread all over the islands into regions most of which have never known a physician at all will greatly contribute to the physical change and development for the better of the Filipino.

The health department has been exceedingly expensive, and the amount taken from the treasury each year has been subject to much criticism, but the results are so gratifying that even the most captious seems now willing to admit that the expenditure was wise, prudent, and justified. A most thorough quarantine has been established and maintained under the auspices of the United States Public Health and Marine-Hospital Service in the ports of entry in the islands.

As is well understood now the mosquito is the means of communicating malaria and yellow fever and other diseases. It is supposed that the *Stegomyia* mosquito, which carries the yellow fever, is found in the Philippines, although no case of the fever has ever occurred in the Islands. The importance of the mosquito in the Philippines is confined to malaria at present. Varieties of the insect carrying most malignant malaria are found to generate in the salt-water marshes, though ordinarily it has been supposed that the *Anopheles* mosquito conveying malaria generated only in fresh water. The wet season

seems to interfere with the operations of the mosquito by throwing so much water into the streams as to prevent the stagnation necessary to their successful propagation. A singular instance of this is found in the old walled city of Manila. The old walled city has a sewer system for storm or surface-water drainage. During the wet season there is practically no malaria in the walled city, but during the dry season there is a great deal. It has been found that in the dry season in the absence of rainy weather the sewers contain stagnant pools in which the *Anopheles* mosquito is generated in great numbers and thus carries on his business of conveying malaria from one inhabitant of the walled city to another, whereas in the rainy season the sewers are flushed all the time and there is no opportunity to the mosquito to propagate. Measures have now been taken to flush the sewers of the walled city in the dry season and rid the inhabitants of this pest until the new sewer system shall be put in operation, when the evil can be entirely eradicated.

BENGUET.—A HEALTH RESORT.

In all the tropical countries in which civilized government has been established and progress made toward the betterment of conditions of human life, places have been found and settlements effected in high altitudes where the conditions approximate in atmosphere and climate those of the Temperate Zone. This is true in India, in Ceylon, in Java, and wherever there are neighboring mountains which offer the opportunity.

The Philippines are fortunate in having a territory in Luzon in the mountains of an altitude ranging from 4,500 to 7,000 feet, a rolling country filled with groves of pine trees and grass, in which the temperature rarely goes below 40° and never goes above 80° in the shade. The province containing most of this territory is called "Benguet." Similar climate is found in the adjoining provinces of Lepanto and Bontoc. The railway from Manila to Dagupan has now been extended to what is called "Camp No. 1," a distance of 22 miles from Baguio, the chief town in Benguet, where is the government sanitarium and other places of resort and cure. At the cost of about two millions of dollars, the government has constructed a fine road up the gorge of the Bued River to a height of 5,000 feet. The work would probably never have been entered upon, had it been supposed that it would be so costly, but now that it is done, and well done, the advantages accruing and soon to accrue, justify the expenditure.

The representatives of all the churches in the islands have taken lots and are putting up buildings, hospitals of various kinds are to be erected, there is a sanitarium, the Commission holds part of its sessions there, and it is hoped that the assembly will see fit to do the

same thing. A great many Filipinos recuperate by going to Japan or Europe, but here within easy distance of Manila will be offered an opportunity where the same kind of revitalizing atmosphere may be found as in a temperate climate. The Filipinos were at first disposed to criticise the expenditure on the ground that the road was built solely for the few American officials who expected to live there a large part of their time. The lots were offered at public auction and a great many were purchased by Filipinos, and now it is generally understood that the value of such a place in the Philippine Islands has impressed itself upon the Filipino public at large. The present necessity is the construction of a railroad from Camp No. 1 directly into Baguio and steps have been taken to bring this about. A large military reservation has been set aside which it is hoped may be made into a brigade post for the recuperation of our soldiers while in the Philippines. The railroad is likely to have the patronage of those who spend part of their time at Baguio, going and coming from Manila and other parts of the islands, and also with the construction of a good hotel in Manila and another one at Baguio there is not the slightest reason to doubt that a large tourist patronage will be invited for both places. Meantime the health-giving influence of the climate at Baguio can not but exercise a good effect upon the young Filipinos who may be sent there to be educated and upon those Filipinos who have been subject to tropical diseases and have the time and means for visiting this mountain resort. With the construction of a railroad, transportation to Baguio may be made exceedingly reasonable and sanitariums built which will furnish for very moderate cost a healthful regimen and diet. Benguet is really a part of the system of government sanitation and may properly be mentioned in connection with it here.

Comparative mortality from January 1, 1901, to September 30, 1907.

Month.	1901.		1902.		1903.		1904.	
	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.
January	753	a 36.25	760	a 36.58	602	a 28.96	796	b 42.64
February ...	689	a 36.72	706	a 37.63	511	a 27.23	709	b 40.50
March	885	a 42.66	770	a 37.06	539	a 25.94	751	b 40.23
April	886	a 44.07	1,327	a 66.01	549	a 27.81	748	b 41.40
May	903	a 43.47	1,688	a 81.26	770	a 37.06	766	b 41.03
June	621	a 30.89	1,418	a 70.54	592	a 29.45	800	b 44.23
July	608	a 29.27	2,223	a 107.02	620	b 33.21	866	b 46.39
August	702	a 33.79	1,712	a 82.42	862	b 46.17	1,032	b 55.25
September...	767	a 38.15	1,132	a 56.31	1,228	b 67.97	1,064	b 58.89
October	855	a 41.16	927	a 44.62	1,217	b 65.19	1,018	b 54.53
November...	848	a 42.18	1,035	a 51.48	974	b 63.91	967	b 52.97
December...	858	a 41.30	753	a 36.25	894	b 47.89	794	b 42.53

a Death rate computed on population of 244,732 (health department's census).

b Death rate computed on population of 219,941 (official census, 1903).

Comparative mortality from January 1, 1901, to September 30, 1907—Continued.

Month.	1905.		1906.		1907.	
	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.
January	685	a 36.69	737	a 39.47	632	b 33.31
February	608	a 36.05	595	a 35.28	473	b 27.59
March	563	a 30.15	600	a 32.13	464	b 24.45
April	580	a 29.32	555	a 30.27	416	b 22.65
May	526	a 28.16	600	a 32.13	462	b 24.35
June	593	a 32.81	693	a 36.72	402	b 21.89
July	747	a 40.00	1,451	a 77.72	515	b 27.14
August	841	a 45.03	1,182	a 63.31	653	b 34.41
September	1,013	a 56.06	835	a 46.22	768	b 41.82
October	850	a 45.51	684	a 36.64	.....	.....
November	944	a 52.24	653	a 36.14	.....	.....
December	841	a 45.03	597	a 31.98	.....	.....

a Death rate computed on population of 219,941 (official census, 1903).

b Death rate computed on population of 223,542 (health census, 1907).

Mortality compared with same period of previous years.

	First quarter.		Second quarter.		Third quarter.		Fourth quarter.	
	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.	Number of deaths.	Annual death rate per 1,000.
1901	2,327	42.98	2,410	43.97	2,077	47.49	2,561	46.22
1902	2,236	41.25	4,433	80.89	5,067	91.46	2,715	29.00
1903	1,652	30.48	1,911	34.87	2,710	48.91	3,065	56.68
1904	2,256	41.16	2,314	42.22	2,962	53.46	2,769	49.98
1905	1,856	34.24	1,649	30.09	2,601	46.94	2,635	47.56
1906	1,932	35.64	1,848	33.72	3,468	62.59	1,934	34.90
1907	1,569	28.48	1,280	22.98	1,936	34.38	.....	.....

MATERIAL PROGRESS AND BUSINESS CONDITIONS.

I come now to material conditions in the islands and the progress that has been made in respect to them. While there is reason to hope that the mining industry may be very much improved and developed, the future of the islands is almost wholly involved in the development of its agricultural resources, and the business of the islands must necessarily depend on the question of how much its inhabitants can get out of the ground. In bringing about the reforms and making the progress which I have been detailing, the government has had to meet disadvantageous conditions in respect to agriculture that can hardly be exaggerated.

The chief products of the islands are abacá, or Manila hemp as it is generally called, the fiber of a fruitless variety of banana plant; cocoanuts, generally in the form of the dried coconut meat called "copra;" sugar, exported in a form having the lowest degree of polarization known in commerce, and tobacco exported in the leaf and also in cigars and cigarettes. There are other exports of course, but these form the bulk of the merchantable products of the islands. In addition to these, and in excess of most of them except hemp, is the

production of rice which constitutes the staple food of the inhabitants. Some years before the Americans came to the islands the production of rice had diminished in extent because the hemp fiber grew so much in demand that it was found to be more profitable to raise hemp and buy the rice from abroad. In the first few years of the American occupation, however, during the insurrection and the continuance of the guerrilla warfare, and finally the prevalence of ladronism, many of the rice fields lay idle and the importation of rice reached the enormous figure of twelve millions of dollars gold, or about four-tenths of the total imports. With the restoration of better conditions, the production in rice has increased so that the amount of rice now imported is only about \$3,500,000 in gold, and the difference between the two importations doubtless measures the increased native production of the cereal.

During the six years of American occupancy under the civil government agriculture has been subject to the violent destruction which is more or less characteristic of all tropical countries. The typhoons have damaged the cocoanut trees, they have at times destroyed or very much affected the hemp production, and drought has injured the rice as well as the cocoanuts. The character of the tobacco leaf has deteriorated much because of a lack of care in its cultivation due to the loose and careless habits of agriculture caused by war and ladronism, and locusts have at times cleared the fields of other crops without leaving anything for the food of the cultivators.

The great disaster to the islands, however, has been the rinderpest, which carried away in two or three years 75 or 80 per cent of all draft cattle in the islands. This was a blow under which the agriculture of the islands has been struggling for now four or five years. Attempts were made, under the generous legislation of Congress appropriating three millions of dollars to remedy the loss if possible, to bring in cattle from other countries, but it was found that the cattle brought in, not being acclimated, died, most of them before they could be transferred to the farm, and then, too, they only added to the difficulty of the situation by bringing new diseases into the Philippines. It has been found that nothing can restore former conditions except the natural breeding of the survivors, and in this way it will certainly take five or six years more to restore matters to their normal condition. Meantime, of course, other means are sought and encouraged for transportation and for plowing. The difficulty in the use of horses is that an Indian disease called the "surra," which it has been impossible to cure, has carried off 50 per cent of the horses of the islands. Considering these difficulties, it seems to me wonderful that the exports from the islands have so far exceeded the exports in Spanish times and have been so well maintained that last year there

was more exported from the islands than ever before in the history of the Philippines, as will be seen from the following table:

Value of Philippine exports, 1903-1907 of American occupation.

Fiscal year.	Hemp.	Sugar.	Tobacco and manufactures.	Copra.	All other.	Total.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1903.....	21,701,575	3,965,568	1,882,018	4,473,029	1,107,709	33,119,899
1904.....	21,794,960	2,668,507	2,013,287	2,527,019	1,246,854	30,250,627
1905.....	22,146,241	4,977,026	1,999,193	2,095,355	1,134,800	32,352,615
1906.....	19,446,769	4,863,865	2,389,890	4,043,115	1,173,495	31,917,134
1907.....	21,085,081	3,984,460	3,129,194	4,063,193	1,511,429	33,713,357
Average annual.....	21,234,935	4,079,885	2,282,716	3,438,342	1,234,857	32,270,726

NOTE.—Total exports do not include gold and silver coin.

The largest export showing in Spanish times, during years for which there are official statistics, was as follows:

Value of Philippine exports in Spanish times, calendar years 1885-1894.

Calendar year.	Hemp.	Sugar.	Tobacco and manufactures.	Copra.	Total, including all other articles.
	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>	<i>Dollars.</i>
1885.....	5,509,757	8,669,522	2,297,858	.....	20,561,434
1886.....	4,340,068	7,019,978	2,010,098	5,781	20,113,847
1887.....	8,161,560	6,156,709	1,559,070	36,809	19,447,997
1888.....	8,099,422	6,271,030	2,449,181	131,347	19,404,434
1889.....	10,402,614	9,101,024	2,255,494	209,820	25,671,822
Average annual.....	7,302,680	7,443,653	2,114,240	76,752	21,037,807
1890.....	6,925,564	7,265,030	2,469,033	85,764	21,547,541
1891.....	10,323,913	5,696,746	2,150,306	.....	20,878,559
1892.....	6,886,526	7,768,596	2,535,740	743,918	19,163,950
1893.....	7,697,164	10,868,853	2,438,304	414,652	22,183,223
1894.....	7,243,842	5,476,617	1,676,175	1,172,191	16,541,842
Average annual.....	7,815,402	7,315,174	2,232,912	483,305	20,062,963

a Value of cocoanuts included.

NOTE.—Figures are taken from "Estadística general del comercio exterior de las Islas Filipinas," issued by the Spanish Government.

Total exports include gold and silver coin.

The chief export in value and quantity from the Philippines is manila hemp, it amounting to between 60 and 65 per cent of the total exports. Its value has increased very rapidly of late, and the result has been that much inferior hemp has been exported, because it could be produced more cheaply and in greater quantity. That which has made the hemp expensive and has reduced the export of it—for large quantities of it rot in the field still—is the lack of transportation and the heavy expense of the labor involved in pulling the fiber and freeing it from the pulp of the stem. Several machines have been invented to do this mechanically and it seems likely now that two have been invented which may do the work, although they have not been sufficiently tested to make this certain. Should a light, portable,

and durable machine be invented which would accomplish this, it will revolutionize the exportation of hemp and will probably have a tendency to reduce its cost, but greatly to increase its use and to develop the export business of the Philippine Islands most rapidly.

SUGAR AND TOBACCO—REDUCTION OF TARIFF.

There is a good deal of land available for sugar in the Philippines, but there is very little of it as good as that in Cuba, and the amount of capital involved in developing it is so great that I think the possibility of the extension of the sugar production is quite remote. The moment it expands, the price of labor, which has already increased 50 to 75 per cent, will have another increase. All that can really be expected is that the sugar industry—and this is also true of the tobacco industry—shall be restored to their former prosperity in the earlier Spanish times when the highest export of sugar reached 265,000 tons to all the world.

The tobacco industry needs a careful cultivation which, under present conditions, it is very difficult to secure. The carelessness with which the plant is grown and the defective character of the leaves is such as to make the manufacturers of cigars and tobacco in Manila despair of using the Philippine product without the addition of the wrappers either from Sumatra or the United States.

All that a friend of the Philippines can hope for is that the sugar and tobacco industries shall regain their former reasonably prosperous conditions. The development of the islands must be in another direction. The question of labor and capital both must always seriously hamper the growth of sugar production. Nor would I regard it as a beneficial result for the Philippine Islands to have the fields of those islands turned exclusively to the growth of sugar. The social conditions that this would bring about would not promise well for the political and industrial development of the people, because the cane sugar industry makes a society in which there are wealthy landowners holding very large estates with most valuable and expensive plants and a large population of unskilled labor, with no small farming or middle class tending to build up a conservative, self-respecting community from bottom to top. But, while I have this view in respect to the matter, I am still strongly of the opinion that justice requires that the United States should open her sugar and tobacco markets to the Philippines. I am very confident that such a course would not injure, by way of competition, either the sugar or the tobacco industries of the United States, but that it would merely substitute Philippine sugar and tobacco for a comparatively small part of the sugar and tobacco that now comes in after paying duty. Their free admission into this country would not affect the

prices of sugar and tobacco in the United States as long as any substantial amount of those commodities must be imported with the full duty paid in order to supply the markets of the United States.

So confident am I that the development, which the sugar and tobacco interests of the United States fear in the Philippines from an admission of those products free to the United States, will not ensue to the injury of those interests that I would not object to a limitation on the amount of sugar and tobacco in its various forms, manufactured and unmanufactured, which may be admitted to the United States from the Philippines, the limitation being such a reasonable amount as would admittedly not affect the price of either commodity in the United States or lead to a great exploitation of the sugar and tobacco interests in the islands. The free admission of sugar and tobacco up to the amount of the proposed limitation, for the purpose of restoring the former prosperity in these two products to the islands, is very important. There are two or three provinces, notably Occidental Negros and the island of Panay, the prosperity of which is bound up in good markets for sugar, and this is true also of some parts of Laguna, Cavite, Bulacan, and Pampanga, where sugar was raised in the old days with success and profit. In respect to tobacco, the need is not so pressing because the territory in which marketable tobacco culture prevails is by no means so great. Still it does affect three provinces, Cagayan, Isabela, and La Union.

FODDER.

The agricultural bureau of the government has been devoting a great deal of effort and time and money to experimenting in agriculture. They have made many failures and have not yet succeeded certainly in sowing a grass which will properly cure and may be used for hay. It is hoped that in certain of the higher altitudes alfalfa, and especially clover, may be raised successfully; and if so the very high price which has now to be paid for fodder imported from America may be avoided. This is a question which seriously affects the cost of the Army in the Philippines.

NEW PLANTS.

Through the agricultural bureau a new industry has been developed, that of raising maguey, a plant, the fiber of which is much less valuable than that of Manila hemp, but which has a good market whenever it is produced in quantities. The rapidity with which a great deal of land in the Philippines that heretofore has not been capable of profitable use is now taken up with the planting of maguey is most encouraging. The plants are being distributed by the agricultural bureau in the islands.

THE FINANCIAL CONDITION OF THE GOVERNMENT.

The financial condition of the government is as good to-day as it ever has been. The following table shows what it is, and the surplus on hand for emergencies is satisfactory:

General account balance sheet of the government of the Philippine Islands for the fiscal year ended June 30, 1907.

	Debit.	Credit.
Surplus and deficiency account:		
Balance from previous years		\$4,439,974.02
Excess revenues over expenditures		2,741,606.41
Excess resources over liabilities	\$7,500,782.29	
Carried from suspense account		319,201.86
Total	7,500,782.29	7,500,782.29
Insular revenues and expenditures:		
Customs revenues		7,990,376.57
Internal revenue		2,684,579.24
Miscellaneous revenues		889,440.25
Insular expenditures	6,968,724.86	
Payments to provinces	1,438,440.40	
Losses under section 41, act 1402	346.20	
Allowances under section 42, act 1402	501.38	
Inter-bureau transactions		85,228.19
Total	8,408,012.84	11,149,619.25
Excess revenues over expenditures	2,741,606.41	
	11,149,619.25	11,149,619.25
Resources and liabilities:		
The insular treasurer's cash balance	25,083,490.93	
Gold-standard fund	1,006,753.13	
Surplus on customs auction sales		466.84
Invalid money orders		2,047.14
Outstanding liabilities		5,229.40
Loans to provinces	481,137.55	
Refundable export duties		418,698.89
City of Manila	3,661,255.31	
Outstanding warrants		189,136.45
Friar lands funds	6,670,548.06	
Moro Province	45,646.18	
Depository fund		3,966,263.00
Silver certificate redemption fund		10,770,854.00
Refundable internal revenues		831,970.30
Public works and permanent improvement fund	2,198,249.70	
Congressional relief fund		236,934.79
Sewer and waterworks construction fund		1,855,061.84
Insular treasurer's liability on unissued silver certificates	9,702,500.00	
Unissued silver certificates		9,702,500.00
Miscellaneous special funds		387,095.17
Provincial governments		1,132,743.62
Philippine money-order account		182,576.54
United States money-order account		128,201.86
Bonded indebtedness		14,500,000.00
Outstanding postal drafts		2,283.29
Friar land bond sinking fund	106,216.92	
Sewer and waterworks construction bond sinking fund		39,998.34
Rizal monument fund		1,413.20
Baguio town-site improvement fund		1,526.19
Collecting and disbursing officers	2,384,404.42	
Total	51,290,202.15	43,789,419.86
Excess resources over liabilities		7,500,782.29
Total	51,290,202.15	51,290,202.15
Suspense account:		
Transfer of funds		7,674.49
General account deposits		195,263.24
Accountable warrants		116,264.13
Carried to surplus and deficiency account	319,201.86	
Total	319,201.86	319,201.86
Treasury account:		
Balance from previous fiscal years	22,461,858.40	
Receipts at the treasury	112,780,022.27	
Withdrawals from the treasury		110,347,526.19
Available for appropriation		6,218,817.54
Appropriations undrawn		4,948,919.94
Available for refundment or redemption		14,726,617.00
Total	135,241,880.67	135,241,880.67

The following statement of revenues and expenditures of the Philippine government, exclusive of all items of a refundable character, covers the period from the date of American occupation, August 18, 1898, to June 30, 1907.

Revenues.

Fiscal year ended June 30—	Insular.	Provincial.	City of Manila.	Total.
1899	\$3,558,682.83			\$3,558,682.83
1900	6,899,340.53			6,899,340.53
1901	10,753,459.95			10,753,459.95
1902	9,371,288.11	\$2,008,480.88	\$1,199,598.21	12,579,367.20
1903	10,757,455.63	2,527,252.93	1,541,575.85	14,826,284.41
1904	10,249,263.98	3,295,839.47	1,981,129.97	15,476,233.42
1905	11,549,496.37	3,107,912.91	1,441,165.82	16,098,574.10
1906	11,468,067.16	4,509,572.02	1,995,289.85	17,972,929.03
1907	11,149,619.25	4,604,528.31	1,691,341.93	17,445,489.49
Total	85,756,667.81	20,053,586.52	9,800,096.63	115,610,350.96

Expenditures.

1899	\$2,376,327.12			\$2,376,327.12
1900	4,758,793.66			4,758,793.66
1901	6,451,528.37			6,451,528.37
1902	8,189,404.69	\$1,633,158.22	\$622,294.81	10,444,857.62
1903	10,249,533.40	1,981,261.22	1,177,611.67	13,408,406.29
1904	11,122,562.38	2,339,826.10	1,578,303.50	15,040,691.98
1905	12,248,857.33	1,474,320.43	2,574,102.78	16,297,280.54
1906	10,146,779.12	4,335,091.32	2,492,392.23	16,974,262.67
1907	8,408,012.84	4,736,038.20	1,560,801.40	14,704,852.44
Total	73,951,798.81	16,499,695.49	10,005,506.39	100,457,000.69

The bonded indebtedness is as follows:

Title of bonds.	Authorized by Congress.	Amount of issue.	Date issued.	Redeemable.	Due.
Land purchase bonds.....	Act of July 1, 1902	\$7,000,000	Jan. 11, 1904	1914	1984
Philippine public improvement bonds:					
First issue	Act of Feb. 6, 1905	2,500,000	Mar. 1, 1905	1915	1935
Second issue	do	1,000,000	Feb. 1, 1906	1916	1936
Manila sewer and water supply bonds:					
First issue	Act of July 1, 1902, as amended by act of Feb. 6, 1905.	1,000,000	June 1, 1905	1915	1935
Second issue	do	2,000,000	Jan. 2, 1907	1917	1937
Total		13,500,000			

To meet the interest and principal on these bonds ample sinking funds have been provided, and the bonds are now held on the market, notwithstanding the present depression, at prices well above those for which they were originally sold.

FRIARS' LANDS.

The question of the disposition of the friars' lands is one which is occupying the close attention of the Secretary of the Interior and the Director of Lands. The price of the lands was about \$7,000,000. Much delay has been encountered in making the necessary surveys

and the disposition of them for the present has largely been temporary and at small rents in order to secure an attornment of all the tenants and the clear definition of the limits of the leaseholds claimed by them. This has involved considerable time and expense in making the necessary surveys. The injury to the sugar industry and the destruction of draft cattle has affected the price and character of the sugar lands, and they have been allowed to grow up in cogon grass. This will require the investment of considerable capital to put them in sugar producing condition. It is estimated that the salable lands would amount in value to something over \$5,000,000 and that the lands, mostly sugar, which are not now salable, and the plants which were bought with the lands, represent the other \$2,000,000 of the purchase price. It will take some years to work out the cost and it is possible, as already prophesied, that there will be a considerable loss to the islands, but as the purchase was based on political grounds and for the purpose of bringing on tranquillity, such a loss as that which was thought not improbable at the time of the purchase is amply compensated for in the general result.

FINAL SETTLEMENT IN RESPECT TO CHARITABLE TRUSTS AND SPANISH-FILIPINO BANK WITH ROMAN CATHOLIC CHURCH.

I have spoken in previous reports of the controversies arising between the Roman Catholic Church and the Philippine government in reference to the administration of certain charitable trusts. The same church was interested as a majority stockholder in the Spanish-Filipino Bank and a dispute had arisen as to the right of the bank to exercise the power conferred on it by its original charter of issuing bank notes in an amount equal to three times its capital stock. A compromise was finally arranged last June with Archbishop Harty of Manila and was consummated during my visit to the Philippines. I submitted to you a full report of this compromise. It received your approval and was then carried into effect by the Philippine Commission. I append to this my special report to you of that compromise, marked "Appendix A."

ROADS.

The construction of roads by the central government has gone on each year, but the roads have not been kept up by the municipal governments charged with the duty as they ought to have been. The Commission has now established a system by which it is hoped ultimately that the whole matter of roads may receive a systematic impetus throughout the islands. Roads can not be kept up in the Tropics except by what is known as the "*caminero*" system, in which a small piece of each road shall be assigned to the repair and control

of a road repairer to be known as the "caminero." The truth is that good roads will develop as the people develop, because the people can keep up the roads if they will, and it is not until they have a large sense of political responsibility that they are likely to sacrifice much to maintain them.

RAILROADS IN THE PHILIPPINES.

In my last annual report, I set forth in detail the concessions granted for the construction of railroads in Luzon, Panay, Cebu, and Negros, and showed that within five years we might expect that, instead of a single line of railway 120 miles in length which was all that we found when we occupied the islands, we would have a system with a mileage of 1,000 miles. Work has gone on in full compliance with the terms of the concessions of the two companies.

Only one of these companies took advantage of the provision for the guaranty of bonds, and they have built about 40 miles of road and have earned, under the terms of the concession, the guaranty of \$973,000 of bonds, which has already been signed and delivered by the Philippine government. Of course, in this financial panic these companies are likely to have difficulty in securing investors in their securities. The roads as constructed have been well constructed, and are admirably adapted to resist the climatic conditions in the islands. There is no reason in my judgment why these roads when constructed should not pay a reasonable percentage upon the investment. It is of the utmost difficulty to secure the coming of capital to the islands, and it would greatly aid us if the dividends earned by these roads were very large. In the Orient two-thirds of the income of railways comes from passenger earnings, and one-third from freight. Of course, the railroads are very essential to the agricultural interests of the country and will directly affect the amount of exports of agricultural products—so we may count on a steady increase in the freight receipts from the moment of their beginning operation. As I say, however, the chief hope for profit in the railways is in the passenger traffic. In the three Visayas in which the railroads are to be constructed, the density of population is about 160 per square mile, whereas the average population per square mile in the United States in 1900 was but 26. The Island of Cebu has a population of 336 per square mile, or a greater density than Japan, France, Germany, or British India. It is, therefore, reasonable to suppose that the passenger earnings on these railroads will be very large. It was anticipated that the labor problem would be a difficult one to solve in the construction of these roads. This has not proved to be true. The Philippine labor has shown itself capable of instruction, and by proper treatment of being made constant in its application. Of

course, the prices of labor have largely increased, but the companies constructing the roads have found it wise to increase wages, and thereby secure greater efficiency. Even with increased wages the cost of unit of result is less in the Philippines in the construction of railways than it is in the United States. Of course, the drain on the labor supply of sugar plantations and other places where agricultural labor is employed is great, and the effect upon raising sugar and other products is to increase the cost. But I think the lesson from the construction of the railroads is that Philippine labor can be improved by instruction and can be made effective and reasonably economical by proper treatment. The coming into the islands of the capital to construct railways, of course, has had a good effect in the improvement of business conditions, but it is to be noted that in the estimate of importations the railroad material and supplies which are brought in free under the statute are not included in the totals, and therefore are not to be offered as an explanation for the very good showing in respect to the amount of imports to the islands for the last fiscal year.

GENERAL BUSINESS CONDITIONS.

Of course, the depression in certain business branches of agriculture, like sugar, tobacco, and rice, due to lack of markets for the first two, and to a lack of draft animals in the production of sugar and rice has had a direct effect upon the business of the islands of a depressing character. Gradually, however, business has grown better. In spite of adverse conditions the importations of rice have decreased from \$12,000,000 gold to \$3,500,000 gold, and, while the imports as a whole have increased not to their highest previous figure, they have been maintained within four and a half millions of their highest mark, and, as already said, the exports are higher than ever in the history of the islands, the balance of trade in their favor for the last fiscal year being about five millions, exclusive of gold and silver and government and railway free entries.

I found in the islands a disposition on the part of both American and Philippine business men and of the leaders of all parties in the Philippine Assembly to make a united effort to improve business and general conditions.

BUSINESS FUTURE OF PHILIPPINES.

I do not hesitate to prophesy that during the next twenty-five years a development will take place in the agriculture and other business of the Philippine Islands, which will be as remarkable in its benefits to the United States and the Philippine Islands as was the development of Alaska during the last ten or fifteen years. Hope of this is not what has actuated the government in pursuing the policy that it has

pursued in the development of the islands, but this is as inevitable a result as if it had been directly sought, and perhaps the absence of selfishness in the development of the islands is a greater assurance of profitable return than if business exploitation by the United States had been the chief and sole motive. The growth in the production of hemp and other fiber products, in cocoanuts, in rubber and many other tropical crops and in peculiar manufactures of the islands may be looked forward to with certainty.

GOLD STANDARD CURRENCY.

One of the great benefits conferred upon the islands by the American Government has been the introduction of the gold standard. This has doubtless prevented the larger profits which were made in the old days by the purchasers of hemp and other agricultural products in the islands, who sold again in European and American markets, because under the system then prevailing they bought in silver and sold in gold, and by watching the markets they were able to add very much to the legitimate profit of the middlemen by what constituted a system of gambling in exchanges. The same features characterized the banking in the islands. Now, however, with the gold standard the gambling feature in business is very largely eliminated. The coinage is satisfactory to the people, the silver certificates circulate well and are popular, and there seems to be no ground for complaint of the currency.

NEED OF CAPITAL—AGRICULTURAL BANK.

One of the crying needs of the Philippines is capital, and this whether it be for the development of railroads, wagon roads, manufactures, or in the promotion of agriculture. The usurious interest which has to be paid by the farmers is so high as to leave very little for his profit and maintenance, and ever since we entered the islands the cry for an agricultural bank which would lend money for a reasonable interest, say, 10 per cent, has been urged upon the Commission. Last year Congress authorized the government to guarantee the interest at 4 per cent on a certain amount of capital invested in such a bank, but up to this time no one has embraced the opportunity thus offered to undertake the conduct and operation of a bank, although negotiations are pending looking to such a result. It is now proposed that the government shall undertake this instead of a private individual. Experimentation has been attempted on the friars' lands by the appropriation of \$100,000 for loans to the friar tenants to encourage them to improve agriculture, and the result of this experiment will be awaited with great interest.

The reduction of the amount of silver in the silver peso for the purpose of keeping it within the 50-cent gold value, which is the legal

standard, has gone steadily on and will result ultimately in the accumulation in the treasury of a fund of \$3,000,000 gold. It is thought that part of this money might be taken to establish an agricultural bank on a governmental basis. The treasurer of the islands, Mr. Branagan, who has had large experience in banking in the islands, because his office has brought him closely into contact with it and because he has had to examine all the banks, is confident that an agricultural bank of one or two millions of dollars might be established by the government and managed by the treasury department, together with the provincial treasurers in such a way as greatly to aid the cause of agriculture in the islands. One great difficulty in the operation of an agricultural bank is the uncertainty that prevails to-day in the islands in respect to the titles of the lands which are held. The land law provided a method of perfecting titles through what is called the land court founded on the Torrens land system, which was introduced by law some years ago in the islands. The expense of surveying the lands, due to the shortness of supply of surveyors, and the time taken has made the process of settling titles rather slow, but as defects have appeared the Commission has changed them and it is hoped that this system of preparing for the business of an agricultural bank may go on apace.

POSTAL SAVINGS BANK.

A postal savings bank has been established and was first more patronized by Americans than Filipinos, but Filipinos are now taking it up and the deposits therein amount to upward of 1,000,000 pesos. There have been practically no banking facilities throughout the islands, except in Manila, Iloilo, and Cebu, and this establishment of postal savings-bank offices in a large proportion of the post-offices throughout the islands offers an opportunity to the people of moderate means to put their money in a secure place and to derive a small revenue therefrom. The insecurity of savings by Filipino farmers and others in the country has certainly reduced the motive for saving which an opportunity to deposit their money will stimulate. The exchange business of the islands has also been facilitated by statutory provisions authorizing the sale of exchange by provincial treasurers on the central treasury at Manila and vice versa.

POST-OFFICE AND TELEGRAPHS.

The post-office department, considering the conditions that exist and the difficulties of reaching remote parts of the island, has been very well managed and the offices are increasing in encouraging proportion each year.

The following table shows the increase in postal facilities from year to year of our occupation :

For fiscal year ending June 30.	Number post-offices.	Money-or- der offices.	Number employees.	Stamp sales.
1900.....	19	.....	113	P 228, 178. 36
1901.....	24	24	130	233, 182. 96
1902.....	90	31	331	238, 418. 40
1903.....	209	33	570	248, 414. 36
1904.....	291	63	579	224, 354. 61
1905.....	414	62	612	222, 701. 36
1906.....	476	60	1, 003	425, 261. 50
1907.....	506	63	1, 091	607, 204. 44

Under a system devised by Mr. Forbes, secretary of commerce and police, mail subsidies were granted to commercial lines on condition that good service at reasonable rates of transportation should be furnished upon safe and commodious steamers. The Government vessels which had previously been purchased in order to promote intercourse between the islands are now used on outlying routes where commercial lines will not take up the traffic, but are used in connection with the commercial lines, and in this way additional routes are being tested and the marine commerce between all the islands is made to increase.

By consent of the Secretary of War, and on the recommendation of the commanding general of the Philippines and the agreement of the civil government, all the telegraph lines in the islands have now been transferred to the post-office department of the civil government of the Philippines. These telegraph lines reach into the remotest provinces and to all the principal islands of the large archipelago. While there were some telegraph lines in the Spanish times, the system has grown to such proportions now as to be almost an entirely new system. It has made the government of the islands much more easy because it brings every province within half a day's communication of Manila for information and instructions from the central authority. It has furnished a most profitable instrument for business communication, and while it entails considerable burden on the civil government, it is well worth for governmental and business purposes all that it costs. I ought to say that the post-office department is rapidly training Filipinos to fill all the positions of telegraph operators, and that this materially reduces the cost of operation and at the same time furnishes an admirable technical school for great numbers of bright Filipino young men. I submit a statement of the mileage of the cables and telegraph lines operated by the Government.

1906.		Miles.	Miles.
Lines transferred to the insular government by the Signal Corps up to June 30:			
Telegraph lines	-----	3, 780	
Cable lines	-----	328	
Telephone lines	-----	2, 137	
Total	-----		6, 245
Lines operated by the Signal Corps on June 30:			
Telegraph lines	-----	1, 406	
Cable lines	-----	1, 452	
Telephone lines	-----	338	
Total	-----		3, 196
Total mileage of telegraph, cable, and telephone lines in operation June 30			9, 441
Number of telegraph offices			161
Number of telephones in operation			450

1907.

Lines transferred to the insular government by the Signal Corps since July 1, 1907		1, 914. 5
Total mileage of telegraph and cable lines in operation by the insular government to date		6, 951

MINES AND MINING.

There has been a good deal of prospecting in the islands and gold and copper have been found in paying quantities in the mountains of northern Luzon, the provinces of Benguet and Bontoc and Lepanto, as well as in the Camarines in southeastern Luzon, and in Masbate, an island lying directly south of Luzon; but great complaint is made, and properly made, of the limitations upon the mining law which prevent the location by one person of more than one claim on a lode or vein. Mining is such a speculative matter at any rate, and the capital that one puts into it is so generally lost that it would seem that, in a country like the Philippines where development ought to be had, there should be liberal inducements for the investment of capital for such a purpose. Secretary Worcester of the interior department has frequently recommended that this limitation of the law be repealed. The Commission joins in this recommendation and I cordially concur.

While I do not favor large land holdings, I also concur in the recommendation of the secretary of the interior and the Commission that the prohibition upon corporations holding more than 2,500 acres of land be also stricken out. It certainly might well be increased to 10,000 acres if any limitation is to be imposed at all.

U. S. COASTWISE TRADING LAWS.

It is proposed by some to put in force the coastwise trading laws in respect to the navigation between the United States and the islands. I think this a very short-sighted policy. To-day the trade between the

United States and the islands, export and import, is about 28 per cent of the total. The proportion of the total export trade from the Philippines to the United States is growing and is certain to grow more rapidly in the future, especially if proper legislation is adopted in respect to sugar and tobacco. Now a coastwise trading law will exclude altogether the use of foreign bottoms between the ports of the United States and the ports of the Philippine Islands, and will confine that commerce to United States vessels. There is very grave doubt whether there are enough United States vessels to carry on this trade as it is, and even if there were they could not carry on the trade without a very great increase in freight rates over what they now are. The minute that these rates are advanced, while the rates to other countries remain the same, the trade between the islands and the United States will cease to be. There will be no trade for the vessels of the United States to carry, no one will have been benefited in the United States, and the only person who will reap advantage is the foreign exporter to whom the Philippine business house will naturally turn for exchange of products. The only method possible by which the United States vessels can be given the Philippine trade is by voting a reasonable subsidy for United States vessels engaged in that trade. Any other prohibitive or exclusive provision of law will be merely cutting off the nose to spite the face of the interest which attempts it. I feel certain that when the question of applying the coastwise trading laws to the business between the United States and the islands is fully investigated, even those representing the shipping interests that need and ought to have much encouragement will conclude that the coastwise trading laws applied to the American Philippine trade would merely destroy the trade without benefiting the shipping interests.

In the criticisms upon the Government's Philippine policy to be found in the columns of the newspapers that favor immediate separation, it has been frequently said that the coastwise trading laws of the United States apply as between islands of the Philippines. The truth is that the restrictions upon shipping between ports in the Philippine Islands are what the legislature of the islands imposes, and Congress has made no provision of limitation in respect to them. The coastwise regulations in force within the Archipelago are as liberal as possible.

CITY OF MANILA.

The city of Manila is the social, political, and business center of the islands. It is the only large city in the islands. Its population is about 250,000, while there is no other city that exceeds 40,000 in population. By what now has been proven to be a mistake, the Commission purchased a building which was known and used as the

Oriente Hotel. It was a hotel not very well conducted, but it was the only important hotel in the city of sufficient size and dignity to induce the coming of tourists. It was hoped that the purchase of this building, which was not particularly adapted as a hotel, might lead to the construction and maintenance of a better hotel. Such has not been the result, and although there are hotels in the city of Manila, its reputation is that of being unable to furnish to the traveling public a comfortable hostelry for a short stay. This has driven away many travelers of our own country and other countries from a city that in historical interest, in beauty, and in comfort of life will compare favorably with any.

Mr. Burnham, the well-known landscape architect of Chicago, some years ago, without compensation, visited the Philippines and mapped out a plan for the improvement of the city, and laid out a plan of construction for Baguio in Benguet as the summer capital. To both of these plans, all improvements which have been attempted in the city have conformed, and if the present efficient city government continues, there is every reason to believe that Manila will become a most attractive city. A contract has been made for the leasing of ground immediately upon the Luneta and facing the bay to a firm of capitalists for the construction of a hotel to cost 500,000 pesos. It is doubtful, however, whether this capital can be raised at the present time, and if it falls through it is proposed, and I think with wisdom proposed, that the government shall erect a hotel as a public investment for the development of the city and the islands, and lease it to the best bidder.

There is no city in the world better governed than Manila. The streets are well cleaned, are well policed, there is a most excellent fire department, the parks are being enlarged and improved, the street car system is as good as any anywhere, and with the improvements in the water supply the sewerage system and esteros or canals, which are now under foot and part of which are quite near accomplished, the face which the Filipinos turn toward the world in the city of Manila will be a most pleasing one.

POLITICAL FUTURE OF THE ISLANDS.

There are in the Philippines many who wish that the government shall declare a definite policy in respect to the islands so that they may know what that policy is. I do not see how any more definite policy can be declared than was declared by President McKinley in his instructions to Secretary Root for the guidance of the Philippine Commission, which was incorporated into law by the organic act of the Philippine government, adopted July 1, 1902. That policy is declared to be the extension of self-government to the Philippine

Islands by gradual steps from time to time as the people of the islands shall show themselves fit to receive the additional responsibility, and that policy has been consistently adhered to in the last seven years now succeeding the establishment of civil government.

Having taken some part and sharing in the responsibility for that government, of course my views of the results are likely to be colored by my interest in having the policy regarded as successful, but eliminating as far as is possible the personal bias, I believe it to be true that the conditions in the islands to-day vindicate and justify that policy. It necessarily involves in its ultimate conclusion as the steps toward self-government become greater and greater the ultimate independence of the islands, although of course if both the United States and the islands were to conclude after complete self-government were possible that it would be mutually beneficial to continue a governmental relation between them like that between England and Australia, there would be nothing inconsistent with the present policy in such a result.

Any attempt to fix the time in which complete self-government may be conferred upon the Filipinos in their own interest, is I think most unwise. The key of the whole policy outlined by President McKinley and adopted by Congress was that of the education of the masses of the people and the leading them out of the dense ignorance in which they are now, with a view to enabling them intelligently to exercise the force of public opinion without which a popular self-government is impossible.

It seems to me reasonable to say that such a condition can not be reached until at least one generation shall have been subjected to the process of primary and industrial education, and that when it is considered that the people are divided into groups speaking from ten to fifteen different dialects, and that they must acquire a common medium of communication, and that one of the civilized languages, it is not unreasonable to extend the necessary period beyond a generation. By that time English will be the language of the islands and we can be reasonably certain that a great majority of those living there will not only speak and read and write English, but will be affected by the knowledge of free institutions, and will be able to understand their rights as members of the community and to seek to enforce them against the pernicious system of caciquism and local bossism, which I have attempted in this report to describe.

But it is said that a great majority of the people desire immediate independence. I am not prepared to say that if the real wish of the majority of all the people, men, women, and children, educated and uneducated, were to be obtained, there would not be a very large majority in favor of immediate independence. It would not, how-

ever, be an intelligent judgment based on a knowledge of what independence means, of what its responsibilities are, or of what popular government in its essence is. But the mere fact that a majority of all the people are in favor of immediate independence is not a reason why that should be granted, if we assume at all the correctness of the statement, which impartial observers can not but fail to acquiesce in, to wit, that the Filipinos are not now fit for self-government.

The policy of the United States is not to establish an oligarchy but a popular self-government in the Philippines. The electorate to which it has been thought wise to extend partial self-government embraces only about 15 or 20 per cent of the adult male population, because it has been generally conceded by Filipinos and Americans alike that those not included within the electorate are wholly unable to exercise political responsibility. Now, those persons who demanded and were given a hearing before the delegation of Congressmen and Senators that visited the islands in 1905 to urge immediate independence contended that the islands are fit for self-government because there are from 7 to 10 per cent of intelligent people who are constituted by nature a ruling class, while there are 90 per cent that are a servile and obedient class, and that the presence of the two classes together argues a well-balanced government. Such a proposition thus avowed reveals what is known otherwise to be the fact, that many of those most emphatic and urgent in seeking independence in the islands have no thought of a popular government at all. They are in favor of a close government in which they, the leaders of a particular class, shall exercise control of the rest of the people. Their views are thus wholly at variance with the policy of the United States in the islands.

The presence of the Americans in the islands is essential to the due development of the lower classes and the preservation of their rights. If the American Government can only remain in the islands long enough to educate the entire people, to give them a language which enables them to come into contact with modern civilization, and to extend to them from time to time additional political rights so that by the exercise of them they shall learn the use and responsibilities necessary to their proper exercise, independence can be granted with entire safety to the people. I have an abiding conviction that the Filipino people are capable of being taught self-government in the process of their development, that in carrying out this policy they will be improved physically and mentally, and that, as they acquire more rights, their power to exercise moral restraints upon themselves will be strengthened and improved. Meantime they will be able to see and the American public will come to see the enormous material benefit to both arising from the maintenance of some sort of a bond

between the two countries which shall preserve their mutually beneficial business relations.

No one can have studied the East without having been made aware that in the development of China, Japan, and all Asia are to be presented the most important political questions for the next century, and that in the pursuit of trade between the Occident and the Orient the having such an outpost as the Philippines, making the United States an Asiatic power for the time, will be of immense benefit to its merchants and its trade. While I have always refrained from making this the chief reason for the retention of the Philippines, because the real reason lies in the obligation of the United States to make this people fit for self-government and then to turn the government over to them, I don't think it improper, in order to secure support for the policy, to state such additional reason. The severe criticism to which the policy of the Government in the Philippines has been subjected by English colonial statesmen and students should not hinder our pursuit of it in the slightest. It is of course opposed to the policy usually pursued in the English Government in dealing with native races, because, in common with other colonial powers, most of England's colonial statesmen have assumed that the safest course was to keep the native peoples ignorant and quiet, and that any education which might furnish a motive for agitation was an interference with the true and proper course of government. Our policy is an experiment, it is true, and it assumes the risk of agitation and sedition which may arise from the overeducation of ambitious politicians or misdirected patriots, in order that the whole body of the people may acquire sufficient intelligence ultimately to exercise governmental control themselves.

Thus far the policy of the Philippines has worked. It has been attacked on the ground that we have gone too fast, that we have given the natives too much power. The meeting of the assembly and the conservative tone of that body thus far disclosed makes for our view rather than that of our opponents, but had the result been entirely different with the assembly, and had there been a violent outbreak at first in its deliberations and attempts at obstruction, I should not have been in the least discouraged, because ultimately I should have had confidence that the assembly would learn how foolish such exhibitions were and how little good they accomplished for the members of the assembly or the people whom they represented. The fact that this natural tendency was restrained is an indication of the general conservatism of the Filipino people.

Though bearing the name of immediate independistas, the members of the controlling party of the assembly are far from being in favor of a policy which those words strictly construed would mean.

Moreover, the recent election held, since the assembly was organized, in which fifteen progresista and fifteen nacionalista governors were elected, is an indication that the nationalist feeling is by no means so overwhelming as was at first reported when the returns from the election of the assembly were published in the press.

The fact that Filipinos are given an opportunity now to take part in the forming of the governmental policies in the islands, will I hope satisfy many of them that the United States is in earnest in attempting to educate them to self-government, will so occupy their ambitions and minds as to make the contention for immediate independence more of an ideal than of a real issue, will make more permanent and lasting the present satisfactory conditions as to peace and tranquillity in the islands, and will turn their attention toward the development of the prosperity of the islands by improvement of its material conditions and the uplifting of the people by their education, sanitation and general instruction in their political, social and material responsibilities.

There has been in the United States in the last year a recurring disposition on the part of many of the press and many public men to speak of the Philippine policy as if foredoomed to failure, and the condition of the islands as a most deplorable one. No one who knew the islands in 1900, and who has visited them during the present year and especially during the meeting of the assembly can honestly and fairly share such views. To one actually responsible in any degree for the present conditions by reason of taking part in the government of those islands, the changes made and the progress made under the circumstances are most gratifying.

COST OF THE PRESENT GOVERNMENT OF THE ISLANDS.

The most astounding and unfair statements have appeared in the press from time to time and have been uttered by men of political prominence who should know better, in respect to the cost to the United States of the Philippine Islands. The question of the cost of the islands to the United States as affecting its future policy can not of course include the cost of a war into which the United States was forced against its will, and which whether it ought to have been carried on or not, was carried on and was finished more than five years ago. The only question of cost that is relevant to the present discussion is the cost to the United States of the maintenance of the present Philippine government, including in that the cost of the maintenance of that part of the army of the United States which is in the Philippine Islands. Nor is it fair to include the entire cost of the army of the United States in the Philippine Islands for the reason that even if we did not have the Philippines, we should certainly

retain the present size of our standing army which hardly exceeds 80,000 effective men, a very small army for 80,000,000 people. Moreover, it is worthy of note that the greatest increase in the Army of recent years has been in that branch of the service—to wit, the coast artillery—which has not been used in the Philippines for some years.

The only additional cost therefore that the maintenance of the army can be said to entail upon the United States is the additional cost of maintaining 12,000 soldiers in the islands over what it would be to maintain the same number of soldiers in the United States. This has been figured out and roughly stated amounts to about \$250 a man or \$3,000,000, together with the maintenance of 4,000 Philippine Scouts at a cost of \$500 a man, or in all \$2,000,000, which makes a total annual expenditure of \$5,000,000. The United States at present contributes something, perhaps \$200,000, to the expense of the coast survey of the islands. With this exception, there is not one cent expended from the Treasury of the United States for the maintenance of the government in the islands. The additional cost of the 12,000 men in the islands, figured above at \$250 a man, includes the cost of transportation and the additional cost of food supplies and other matters.

There is an item of cost, which perhaps may be charged to the Philippine Islands. I refer to the expense of fortifying the bay of Manila, the port of Iloilo and the port of Cebu, so that in holding the islands the United States shall not be subject to sudden and capricious attack by any ambitious power. This may reach a total of ten millions. But it is hardly fair to charge this to the Philippine policy; for almost everyone concedes the necessity of maintaining and fortifying coal-
ing stations in the Orient whether we have the Philippines or not.

The question is, therefore, whether, in order to avoid the expenditure of \$5,000,000 a year, the United States should pursue the humiliating policy of scuttle, should run away from an obligation which it has assumed to make the Philippines a permanently self-governing community, and should miss an opportunity at the same time of building up a profitable trade and securing a position in the Orient that can not but be of the utmost advantage in obtaining and maintaining its proper proportion of Asiatic and Pacific trade.

From time to time there has been quite severe criticism of the present Philippine government on the ground that it is such an expensive government as to be burdensome to the people. The facts are that the taxes which fall upon the common people are much less than they ever were under the Spanish régime. The taxes which fall upon the wealthy are considerably more, because as a matter of fact the Spanish system of taxation was largely devised for the purpose of avoiding taxation of the wealth of the islands. I have not at hand and am not able to insert in this report the figures and statistics

which demonstrate this fact. They are now being prepared in Manila, and I hope at some future date to submit them for your consideration. Not only is the comparison to be instituted with the conditions existing under the Spanish régime, but also with the taxation of other dependencies. The data with respect to these are difficult to get and frequently liable greatly to mislead when the conditions of each particular colony are not fully understood and stated. But my information is derived from Governor Smith and Mr. Forbes that the cost per capita of the government of the Philippines will compare most favorably with that of colonial governments presenting substantially similar conditions.

The reports from the governor-general, the heads of departments and of bureaus have not reached Washington. I was able before I left the islands to read informal drafts of some of them and much of the information as to the last year's operations I have derived from them. I shall submit the reports immediately upon their arrival.

RECOMMENDATIONS.

I therefore recommend:

First. That legislation be adopted by Congress admitting the products of the Philippine Islands to the markets of the United States, with such reasonable limitations as may remove fear of interference with the tobacco and sugar interests in the United States;

Second. That the present restrictions be removed as to the acquisition of mining claims and the holding of lands by corporations in the Philippines;

Third. That further legislation be passed authorizing the Philippine government, if it chooses, to open and conduct an agricultural bank, with a capital not exceeding \$2,000,000; and

Fourth. That the coastwise laws of the United States be made permanently inapplicable to the trade between the ports of the islands and the ports of the United States.

Sincerely, yours,

WM. H. TAFT.

THE PRESIDENT.

APPENDIX "A"

NEGOTIATIONS

FOR THE

**SETTLEMENT OF TITLE TO CERTAIN LANDS
IN THE PHILIPPINE ISLANDS**

**CLAIMED BY THE PHILIPPINE GOVERNMENT AND BY
THE ROMAN CATHOLIC CHURCH**

AND IN THE MATTER OF

THE CHARTER OF THE SPANISH-FILIPINO BANK

LETTER OF SECRETARY OF WAR TO THE PRESIDENT.

WAR DEPARTMENT,
Washington, July 2, 1907.

MY DEAR MR. PRESIDENT: I beg to submit herewith a report upon negotiations which have reached a tentative conclusion between Archbishop Harty, of Manila, and myself, with reference to the settlement of certain controversies between the Philippine government on the one hand and the Catholic Church on the other. With the Catholic Church may be included the Banco Español-Filipino, of which I am informed that the Archbishop of Manila, in his trust capacity for the Roman Catholic Church, is the chief stockholder. The negotiations concern the administration of trust properties of an educational and charitable character, and also the charter of the Filipino-Spanish Bank, especially in respect of a franchise which it was given by the Spanish Government for the issuing of circulating notes.

At the time that I was sent to Rome, by your direction, Secretary Root, in his instructions to me of May 9, 1902, said:

The rights and obligations remaining under the various specific trusts for education and charity which are now in doubt and controversy ought to be settled by agreement if possible, rather than by the slow and frequently disastrous processes of litigation, so that the beneficent purposes of these foundations may not fail.

And in my letter of July 3, 1902, in response to a communication of Cardinal Rampolla, I said:

It is hoped that when the apostolic delegate competent to act for the Holy See visits the islands he may take up with the Philippine government the educational and charitable trusts now in dispute, and that they may agree by compromise on those which should be conducted under the direction of the civil government and those which should be conducted under the direction of the church; but should it be impossible to agree upon such a compromise, then it is proposed to submit all the disputed questions of this character to the tribunal of arbitration constituted under the first head, which shall hear the causes as in a court and make the award as above provided, and that among the questions to be submitted to such tribunal shall be the one arising upon the San Jose foundation now pending in the supreme court of the islands.

I am very glad to say that I believe a satisfactory compromise has been reached.

After the cession of sovereignty to the United States under the Treaty of Paris took effect the question arose as to whether the government or the church should act as administrator and trustee of the following trusts:

The College of San Jose.—This is now under the control of the Dominican order and is made a part of the University of St. Thomas. Its foundation includes certain buildings in Manila and an agricultural estate, all of which are valued at about \$500,000.

The Hospicio San Jose.—This is now used as a lunatic asylum and also as a pauper school. It is in charge of a board of directors under the Archbishop of Manila. Its foundation is estimated to be worth about \$400,000.

The Hospital of San Juan de Dios.—This is administered by a directorate under the supervision of the Archbishop of Manila, and the value of its foundation, including its buildings and a large hacienda, is estimated at \$1,000,000.

The Hospital of Cavite.—This is a small hospital in possession of the archbishop of Manila and worth not more than \$50,000.

The Hospital of San Lazaro.—This was conducted, until the United States forces took charge of Manila, by the Franciscan monks as a leper hospital. The Franciscan monks surrendered it to the administration of the military government, and it has ever since been in charge of the military government, or of the Philippine civil government, which succeeded. Its property is chiefly, in addition to a large hospital building, urban or suburban property, which has become quite valuable and is estimated now as worth from \$1,250,000 to \$2,000,000.

First. In respect to the College of San Jose, the controversy early attracted attention under the military government because the Filipino College of Physicians, claiming that this was a civil trust, petitioned General Otis, the military governor, to prevent the continuance of this college and its foundation as a medical school and part of the Dominican University of St. Thomas. General Otis issued an order forbidding the use of the college buildings and property for this purpose, but did not take the property from the custody of the Dominicans or of the Catholic Church. The matter was agitated before the Commission as soon as the Commission reached the islands, and we finally, after hearing arguments on both sides, made special provision for a decision of the controversy by the Supreme Court. We did not intimate our view as to the merits of the controversy, but did hold that General Otis had no right to issue the order which he did issue, and we accordingly set it aside. As a matter of fact, after studying the case, two of the Commissioners—that is, General Wright and myself—reached the conclusion that the civil government had no right to take possession of the College of San Jose, or to administer it, while our three colleagues—Judge Ide and Commissioners Moses and Worcester—differed with us and thought suit should be brought by the civil government to maintain its right as trustee, and, as already said, a special act was passed for an original suit in the supreme court. The case has been argued and the decision has been prepared, but has not been handed down, because, at the request of the parties, it was hoped that it might be included in the general settlement.

In respect to the Hospicio San Jose and the San Juan de Dios Hospital, in 1902 the attorney-general of the Philippine Islands, in opinions which I append, advised the civil governor that the right to administer these trusts was a civil one and was in the civil government. Such examination of these cases as I have been able to give indicates that these trusts were originally religious and pious trusts and pertained to the church, but the position of the attorney-general is that the King of Spain by subsequent decrees freed them of their religious character and took them over to his civil administration.

The claim of the church in all these cases is that under the Government of Spain all charitable and religious foundations were presumptively pious works, *obras pias*, and under the control of the church; that there were two kinds—one under the immediate control of the ordinary or the bishop of the diocese and the other under the control of the King as the universal patron of religious trusts. It was claimed that under two bulls—one of Alexander VI and the other of Julius II—the Popes transferred much of their authority to be exercised by the King of Spain, and especially their power as patrons of religious trusts. Hence, it is contended by the church authorities that all these trusts which had originally a religious foundation pertained to the Roman Catholic Church down to the ending of the Spanish rule in the Philippine Islands, and that even where by royal decree a trust administered by a religious order was taken over by the King because of abuses in its management the religious character of the trust did not cease, but the action of the King, or of the governor-general acting for him, was that as a vice-royal patron really in the name and the authority of the Pope. At the time the Americans entered Manila these two trusts were being managed by directorates containing both ecclesiastics and civilians under appointment of the governor-general. On his retirement he invited, so it is claimed for the church, the archbishop to assume control as religious patron representing the Pope on the withdrawal of the representative of the King of Spain, and the archbishop took control as such.

The question is a most intricate and complicated one, and one upon which, although I have given it some study, I am by no means clear as to the result which would be reached at the end of a long litigation. In opposition to the opinions of the attorney-general upon the question of Hospicio San Jose and the San Juan de Dios Hospital, I append the petition of the Archbishop of Manila to you, which sets out the views of the church authorities upon the right to administer these trusts.

In respect to the Hospital of Cavite, I don't think the civil authorities insist upon their claim of administration.

The trust of the Hospital of San Lazaro was being administered by the monks of St. Francis when the military government of the United States was established. The monks were unable to carry it on and turned it over to the United States military governor. This trust was undoubtedly of religious origin, though whether its subsequent mutations gave it a civil character is a doubtful question. Our claim to administer is not thought to be so strong in this case as in those of Hospicio San Jose and San Juan de Dios. From the standpoint of public usefulness it is much better that the government should control this trust of San Lazaro than any of the others.

The members of the Commission were long ago convinced of the wisdom of ending the litigation, which was likely to be continuous and exasperating, and agreed that if we could secure the administration of the San Lazaro property as a leper hospital and for other diseases we would be entirely willing to allow the other trusts to be administered without question by the Roman Catholic Church. The reason why we were anxious to secure the San Lazaro property was, first, because it was admittedly the most valuable trust of all, and is nearly equal in value to the rest which are in dispute. A majority

of its property is city property, the value of which is rapidly increasing, and the rents from which can be made quite profitable. It was very badly mismanaged when in the hands of the Franciscans, who allowed themselves to be robbed by middlemen, who collected all the profits and paid nothing to them. But under government control it has been made a very wealthy charity. The foundations of the other charities are chiefly agricultural property, and while that is often valuable it is not so certain in its returns, and on the whole not so desirable, whatever its estimated value, as the city property like that of San Lazaro. There is an additional reason why we would desire to retain control of San Lazaro. It is admirably adapted to the construction of hospitals for epidemic diseases and for all the public buildings connected with the sanitary work of the government and the city, and something more than \$100,000 in gold has been expended by the Philippine government in improvements on the San Lazaro estate and near the old San Lazaro Hospital. It would be exceedingly inconvenient for the government, therefore, to give up the administration and control of that charity. Accordingly, in the discussion with Monsignor Agius, the apostolic delegate, I renewed a proposition, as Secretary of War, in 1905, which the Commission had made before my visit to the islands in that year, that if the church would consent to our holding and administering the San Lazaro estate, which was in our possession, we would compromise by allowing the church to retain all the other trusts, including the College of San Jose, which was in litigation, and would consent to a decree directing that that be turned over to the control of the Archbishop of Manila for administration, in accordance with the original purposes of the founder. Monsignor Agius was not willing, because of the great value of the San Lazaro property, to make this compromise. When it was proposed by the government to bring suit to recover the San Juan de Dios Hospital property, Archbishop Harty protested by cable to me, and thereupon I telegraphed him a renewal of the offer of compromise which I had made to Monsignor Agius. He did not then accept it. He subsequently visited Rome and obtained permission to make a compromise with respect to these trusts, and then came to America for a conference with me. His proposition of compromise is contained in the petition which I have filed herewith. After much discussion, in which he brought into requisition the services on his behalf of Mr. Festus J. Wade, a banker of wide experience of St. Louis, we agreed upon a tentative settlement, which is appended herewith.

The 50 hectares which is reserved for the archbishop and the church out of the San Lazaro trust property in this compromise is valued, as we learned by cable, at about 5,000 pesos a hectare. It lies north of the valuable part of the estate and embraces swamps and unimproved land. All of it is not worth to exceed 250,000 pesos, or \$125,000. So that the part which we receive in the compromise amounts certainly to \$1,200,000, and probably to \$1,500,000, and we save the money which we have already invested in San Lazaro and secure a most useful public sanitary plant. This tentative settlement was made subject to the approval of the Commission, and the Commission have since signified their acquiescence in the arrangement.

I need not emphasize to you, I am sure, the importance of the settlement of this controversy, even though the church had some advantage in the result. I do not think it has. My own judgment as a lawyer is that it is very doubtful whether we could have established our claim upon appeal to the Supreme Court to the administration of any of these trusts. They are so commingled in their origin with religious charities that I am quite confident that an American court would feel that a purely civil government was not competent to administer them according to the intent of their founders, and I am under the impression that a court would regard that as the chief guide to them in deciding what trustee should be entitled to administer the charity. It may be said that we have no right to divide up the San Lazaro charity—that it ought to go to one or the other party as a whole. I think this objection, however, can be met by the suggestion that we have already put a very large amount of money out of the treasury of the Philippines into that part of the San Lazaro estate which we retain, and that therefore we may properly part with the outlying remainder of the estate of comparatively little value for purposes of peace and to secure the administration of this particular charity of so much benefit to the general public.

There was united with the settlement, however, the settlement of a controversy with respect to the Banco Español-Filipino. I shall not state the question in detail, but may say in a summary way that the bank was established under general Spanish law and then was reorganized under special royal decree and was given the right to have a capital of 3,000,000 pesos, the equivalent of \$1,500,000, with an exclusive privilege of issuing notes to the amount of 9,000,000 pesos, to constitute the circulating currency in the islands. When the United States took possession of the islands, the bank had a capital only of 1,500,000 pesos, with a surplus of 900,000 pesos, and had issued notes to about the amount of 1,500,000 pesos. The Philippine Commission was not willing to permit the exercise by the bank of the franchise to issue notes beyond its capital stock, and therefore imposed a prohibitory tax on the issue of notes beyond its capital stock. This was seriously objected to by the bank, and I may say by the church authorities, because the archbishop of Manila, as I am informed, owns or controls more than one-half of the stock of the bank. It has been vigorously contended, in printed briefs and otherwise, that this charter of the Spanish Kingdom, by virtue of the guaranties of the Treaty of Paris, passed unimpaired under American sovereignty, and that therefore the American Government, and the Philippine government as its agent, are bound to recognize the validity of the treaty and to allow the issue of notes to the extent of three times the capital stock of the bank. I have never been willing to concede that such a franchise as that of issuing currency could pass from one sovereignty to another without express provision. It seems to me that it is of such a sovereign character as to lapse unless especially saved in the deed or treaty of cession so as to remain in force under the new sovereignty. However this may be, the authorities of the bank have threatened litigation by resistance to the tax and otherwise to test the question of their right to enjoy this note-issuing franchise to its full extent. I must repeat that this was an exclusive franchise which forbade the issue of notes by any

other bank and was so exclusive, according to the views of the bank authorities, as to make the issue of silver certificates by the Philippine government a violation of this exclusive franchise. Those of us who have been responsible for the Philippine government have not had the slightest objection to the issuing of notes under a proper bank charter which should give proper security for the redemption of the notes, and, therefore, when the matter was agitated in connection with the settlement of the trust controversies I expressed an entire willingness to consent to an amendment of the charter if that amendment should, in the judgment of the Commission and our financial experts, secure the payment of the notes to be issued. The compromise which we have agreed upon in this respect may be shortly stated as follows:

The amendment takes away any exclusive right on the part of the bank to issue circulating notes, but provides that no other bank shall exercise this privilege unless it has a capital of \$1,000,000. It provides that the present bank may increase its capital to 10,000,000 pesos, provided the increase consists in the payment of money into capital in cash to the par value of the stock. It then permits the issuing of notes equal in value to the paid-up capital stock, not exceeding, however, 9,000,000 pesos, the amount which might have been issued under the old charter on a capital of only 3,000,000 pesos.

Under the Spanish charter the Government was allowed to select certain officers and to secure loans without interest, features which gave the bank the character of a government institution. All these features are renounced by the Philippine government, and only the right of rigid examination and investigation at all times by the treasurer and the governor-general, exactly similar to those methods provided by the national banking act, are reserved. The rules for the investment of the assets of the bank are rigidly drawn and amended with a view to the maintenance of all the capital in the form of bankable securities. The right to invest in real estate securities is limited to 20 per centum of the capital. The land and buildings taken as securities must be entirely free from encumbrance and worth double the value of the loan. A reserve of 25 per centum of cash to redeem the circulating notes is always required to be maintained. A tax of one-half per cent on the circulating notes is imposed when those notes are issued against capital. There is a special provision by which 600,000 pesos of circulating notes may be issued upon the deposit of acceptable securities with the treasurer of the islands to that amount. These 600,000 pesos are included within the allowed total of 9,000,000 pesos, but when notes are issued under this provision they are to pay 1 per cent tax.

The statutes of the bank we have carefully gone over, and into the consultation I have called not only General Edwards and Major McIntyre, of the Insular Bureau, but also the treasurer of the islands, Mr. Frank Branagan, who is familiar with banking in the islands, Mr. Conant, the financial expert, and Mr. Kemmerer, a financial expert who was engaged in the islands for over two years and who was bank examiner there, and Professor Jenks, of Cornell, who is very familiar with oriental banking, and they all approve the amendment to the charter and the arrangement under which now this issue of circulating notes is to take place. It is an instance of asset circulation,

and it is an increase of the security over notes, which might have been issued to the extent of 9,000,000 pesos, from 3,000,000 pesos capital, to 9,000,000 pesos capital. The amendment to the charter and the recognition of it as thus amended as valid is exceedingly popular among business circles in Manila, because it is thought it will offer an inducement for the coming in of banking capital which is so badly needed there.

For these reasons I am entirely willing to recommend the amendment to the bank charter as in the interest of the public in Manila, as well as the basis for bringing about the compromise with respect to the trusts, which I have already described and which I am sure will greatly contribute to the peace and prosperity of the islands. I respectfully ask your authority to direct that the tentative agreement already made by me, together with the amendments of the bank statutes, which I have approved, be carried into effect by appropriate legislation and decrees in court.

Very respectfully,

WM. H. TAFT,
Secretary of War.

P. S.—I am authorized to say that Ex-Governor-General Ide, who is familiar with the general features of this compromise, fully approves it. The general terms of the compromise have been submitted to the Commission, who have also approved it.

I do not mention in the list of trusts particularly referred to the Colegio Santa Isabela and the Santa Potenciana, because one of these—Santa Isabela—is confessedly clearly a church trust, and Santa Potenciana is confessedly a trust to be administered by the civil government.

Second P. S.—I ought to add, with respect to the amended charter which it is proposed to grant to the Banco Español-Filipino, that an exactly similar Spanish charter was confirmed in toto to the Bank of Porto Rico by an act of Congress, and in that charter the Porto Rican bank was given the authority to issue notes to three times the value of its capital stock, and in the act of confirmation there was no attempt to give any additional security for the redemption of these notes. This would seem to be a precedent abundantly justifying what we are doing in this amended charter.

THE WHITE HOUSE,
July 4, 1907.

Approved. The appropriate action to make the approval effective will forthwith be taken.

THEODORE ROOSEVELT.

TENTATIVE AGREEMENT BETWEEN SECRETARY OF WAR AND ARCHBISHOP HARTY.

This memorandum of agreement, entered into by Archbishop Harty, Archbishop of Manila, representing the Roman Catholic Church in the Philippine Islands, and the Secretary of War, representing the government of the Philippine Islands, is intended to form the basis of a compromise of a number of controversies arising between the Roman Catholic Church and the government of the Philippine Islands, and to end all such controversies.

The controversies arising are as follows:

First. The right of the Roman Catholic Church, on the one hand, and the Philippine government, on the other, to administer certain charitable trusts, and to take possession of, and assume control of, the following estates, to wit:

The buildings, estates, and hospital plant of the Hospicio San Jose.

Second. The buildings, estates, and hospital plant of San Juan de Dios, including all other estates or investments of said hospital of San Juan de Dios.

Third. The Colegio de San Jose, now in litigation in the supreme court of the Philippine Islands, including buildings, hospital plant, or other property of the Colegio de San Jose, and any hospicios, estates, or investments held by it.

Fourth. The hospital of San Jose in Cavite, including the land and buildings thereof in Cavite.

Fifth. The estate, hospital plant, buildings, and investments, or other property of the Colegio Santa Isabela.

Sixth. The buildings, hospital plant, estates, and all other property and investments of the hospital and foundation of San Lazaro.

Seventh. The buildings, plant, foundation, and estates known as the Santa Potenciana.

Also the controversy between the Banco Español-Filipino, in which the archbishop of the diocese of Manila, representing the Roman Catholic Church, represents and controls a majority of the capital stock, presents the issue whether the rights, privileges, and immunities conferred upon the Banco Español-Filipino continue unimpaired under the American sovereignty brought about by the Treaty of Paris, the Philippine government contending that the right to put in circulation notes of issue ceased to be and was dependent thereafter upon any grant of the American or Philippine government. The bank on its part claimed that under the terms of the Treaty of Paris the right to issue such notes continued unimpaired, and that the charter as granted by the Spanish Government continued without impairment under American sovereignty.

Now, therefore, for the purpose of ending all these controversies, the following informal agreement is entered into, to be subject to the approval of the Philippine Commission, and to be carried into effect by the entry of consent decrees, in the proper courts, in such form as to confirm the titles in the persons by this agreement to take the respective properties, and by such legislation of the Philippine Commission as may be necessary to further confirm and put into execution said agreement, and also subject to the approval of the Secretary of War, and of Archbishop Harty, through his agent, Festus J. Wade, of the statutes of the bank as they shall be revised, such revision to contain a restriction on the amount of money to be loaned by the bank on real estate security.

In consideration of the foregoing, and in the manner prescribed herein, the archbishop of the diocese of Manila, for the Roman Catholic Church in the Philippine Islands, is to take possession and hold in absolute title, free from all claims or demands of the Philippine government, the land and property, real, personal, and mixed, set forth and described under sections one, two, three, four, and five hereof, namely: Hospicio San Jose; San Juan de Dios; Colegio de San Jose; Hospital of San Jose in Cavite, and the Colegio Santa Isabela.

It being understood, however, that the College of San Jose is to be surrendered and given into the possession and ownership of the archbishop of Manila for the specific purpose of its foundation.

And to the same extent and in the same manner the archbishop of Manila, for the Roman Catholic Church, relinquishes all claims and demands of any nature and to any extent upon the buildings, plant, foundation, and estates known as Santa Potenciana, and also upon the buildings, hospital, plant, church, estates, and all other property and investments, real, personal, or mixed, of the hospital and foundation of San Lazaro, except as follows:

First. The Archbishop of Manila is to take, hold, and own all of block numbered 156, as platted and set forth upon the map or plat hereto attached and made a part hereof for the purpose of this agreement, said conveyance being in consideration of the relinquishment by the archbishop of Manila of any claim or demand to the church and land upon which it is situated, and which is attached to and a part of the San Lazaro Hospital.

Second. All of the blocks platted and set forth upon the map hereto attached, beginning with block numbered 159 and up to and including block numbered 210, shall be divided as follows:

The Archbishop of Manila, his agent or representative, shall select fifty hectares belonging to the San Lazaro estate north of the second street running parallel to the northern boundary of the present hospital ground, provided there be fifty hectares in this property. The selection shall be made by blocks, platted and numbered from 159 to 210, inclusive, upon the accompanying map or plat. The area of this described property shall be determined in hectares, and if it exceeds fifty hectares the selection shall be as follows:

First. The archbishop or his representative will select a block and then the representative of the Philippine government will select a block, and alternate selections will follow until the archbishop shall

have received fifty hectares of land. If from the survey it is shown that these alternate selections by the archbishop and by the Philippine government will not give to the archbishop the required fifty hectares of land, the Philippine government shall withdraw from further selection as soon as its proportionate amount has been received, and give the balance of the property to the archbishop, it being understood that both the parties hereto agree to the dedication to public use of the streets and alleys shown on said plat or map.

In relation to the Banco Español-Filipino, the following is agreed by and between the parties hereto:

I. That the corporate existence of the Banco Español-Filipino shall be extended twenty-five years from January 1st, 1903. This period may be extended at the request of the majority of the stockholders of the bank, provided such request be made at least one year before the expiration of the twenty-five years mentioned.

II. That the bank is authorized to change its name, at its option, to be known as the Bank of the Philippine Islands, or the Philippine Bank.

III. That the government of the Philippine Islands renounces all rights which it may have derived under Spanish law to appoint the governor and other officers of the bank or to interfere in any way with its administration, except to make examination of its solvency and supervise its conduct in the interest of the public in the same manner as such examination and supervision are or may be exercised over national banks in the United States and as prescribed by the laws of the Philippine Islands.

IV. That upon compliance with the preamble of this agreement, validity is given to all acts heretofore performed by the bank which would otherwise be legal and whose validity might be questioned by reason of the failure of the bank to comply with its statutes in regard to the participation of the government in the management of the bank.

V. That the government of the Philippine Islands renounces all right and title derived from Spanish law and the existing statutes of the bank to a loan of any money to the treasury of the Philippine Islands.

VI. That the treasurer of the Philippine Islands, provincial treasurers, and other authorized public officials shall, from time to time, deposit with the bank and its branches, upon such terms as may be prescribed by the government of the Philippine Islands, such public moneys and trust funds as may be available for this purpose without discrimination against the bank or in favor of other institutions; but this clause shall not bind such officials to make or maintain such deposits when, in their opinion, it is inadvisable.

VII. That the treasurer of the Philippine Islands and all assistant treasurers and provincial and municipal treasurers and other public officials shall be directed to receive the notes of the Banco Español-Filipino for public dues, without discrimination in favor of the notes of other banks or the certificates of the Philippine treasury, so long as said notes are paid in the lawful money of the Philippine Islands or of the United States without discount and on demand at the bank and its branches.

VIII. That the capital stock of the Banco Español-Filipino shall be authorized to an amount not to exceed ten million pesos, and its

circulating notes shall hereafter be issued under the following limitations of amounts and conditions:

(a) To a present amount not exceeding two million four hundred thousand pesos, which shall be secured by the paid up and unimpaired capital of the bank and by the value of the surplus as ascertained by the governor of the Philippine Islands; and in case such capital and surplus shall not, in the opinion of the governor of the Philippine Islands, be equal in value to the amount of circulation herein authorized, then said governor may require a contraction of such circulation until it shall not exceed the value of the capital and surplus of the bank, or the deposit with him of commercial paper conforming to the statutes of the bank and acceptable to him, for any excess in the amount of circulation above the value of the capital and surplus as ascertained and determined by him. And said bank is hereby authorized to issue its circulating notes secured by its capital as herein provided in equal proportion with such increase of paid in capital stock in cash, not exceeding nine million pesos; and all notes so issued shall be governed by the provisions of this section.

(b) To a present additional amount not exceeding six hundred thousand pesos upon deposit with the treasurer of the Philippine Islands of bonds of the United States, bonds or certificates of the government of the Philippine Islands, bonds of the city of Manila, stock or bonds of railways or mortgage banks upon which interest or principal has been guaranteed by the government of the Philippine Islands, or other securities acceptable to the treasurer of said Philippine Islands, and the percentage of circulation to be allowed upon the face value or market value of each of said class of securities shall be determined by said treasurer of the Philippine Islands. Such notes may be issued at the discretion of the bank, subject only to the condition that the securities deposited shall be acceptable in character and amount to the treasurer of the Philippine Islands, and without regard to whether issues have been made or applied for under other provisions of this act. And, in case of the increase of the paid up and unimpaired capital of the bank from two million four hundred thousand pesos to three million pesos, the treasurer of the Philippine Islands shall deliver to the bank the securities deposited with him to cover circulating notes under this paragraph (b).

It being the intention that the total circulating notes issued under this agreement shall never exceed in amount nine million pesos; secured by at least an equal amount of the paid up and unimpaired capital of the bank; except as hereinbefore provided under paragraph (b) of section VIII.

IX. That all outstanding notes of the bank shall, after January 1st, 1908, constitute a preferred lien upon the assets of the bank, except as to such securities as have been specifically deposited under special agreements with public officials for the safe-keeping of public moneys.

X. That the bank renounces all claim to the exclusive privilege of issuing notes in the Philippine Islands or to any other exclusive privilege not set forth in this act; but the government of the Philippine Islands will make no laws or regulations affecting the bank, or imposing charges or taxation upon it, which shall not apply equally to

other banks of a similar type operating under similar conditions, and will not authorize any bank with an ascertained capital and surplus of less than two million pesos to issue circulating notes in the Philippine Islands; but this provision shall not preclude the government from granting special privileges to agricultural banks, savings banks, mortgage banks, or other institutions of special type whose principal business is not commercial banking.

XI. That in case the paid-up capital of the bank is increased by the bona fide sale of new stock at not less than par for cash, the government of the Philippine Islands shall authorize an increase in the amount of circulating notes equal in amount to said increase in capital, but the total circulating notes so issued shall in no case exceed in amount nine million pesos (₱9,000,000).

XII. That the notes issued under the provisions of paragraph (a) of Section VIII of this agreement shall pay a tax at the rate of one-half of one per centum per annum; and the notes temporarily issued under the provisions of paragraph (b) of said Section VIII of this agreement shall pay a tax at the rate of one per cent per annum, such taxes to be assessed upon the amount of notes actually in circulation outside the bank and its branches, upon the average circulation per week or at fixed intervals not less frequently than once a month, to be determined by regulations made by the treasurer of the Philippine Islands.

XIII. That the notes of the bank shall hereafter be issued to the bank by the treasurer of the Philippine Islands, who shall make requisitions upon the Bureau of Insular Affairs at Washington for such a supply as may be necessary to anticipate reasonable demands and keep such notes in his custody in the treasury of the Philippine Islands; but said notes shall not have validity as currency until the seal and signatures are attached by the bank.

In witness whereof this memorandum of agreement in duplicate has been signed, this 8th date of June, A. D. 1907, by Jeremiah J. Harty, Archbishop of Manila, as representing the Roman Catholic Church, and by Wm. H. Taft, Secretary of War, as representing the government of the Philippine Islands.

JEREMIAH J. HARTY. [SEAL]

Archbishop of Manila.

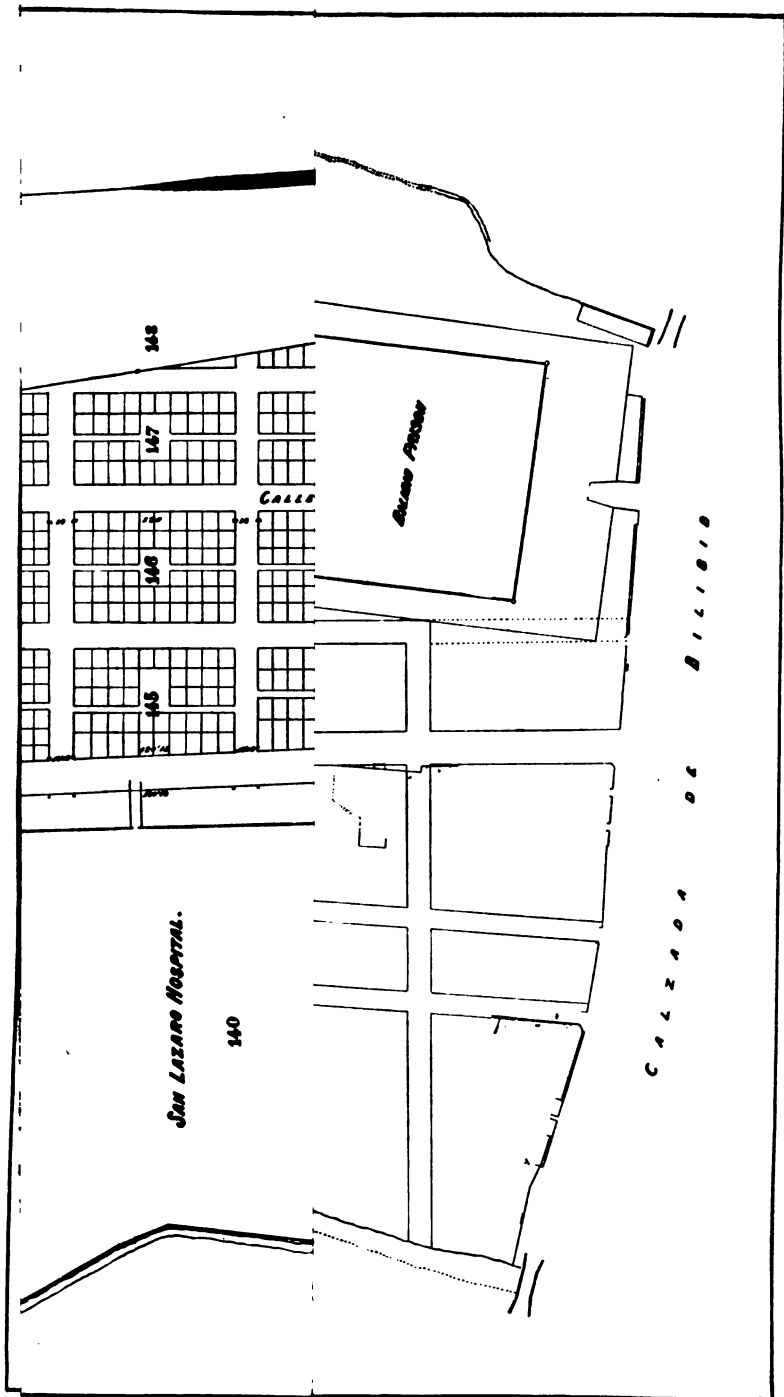
WM. H. TAFT. [SEAL.]

Secretary of War.

In presence of:

EUGENE DE L. McDONNELL.

PAUL CHARLTON.





ARCHBISHOP HARTY'S PETITION TO THE PRESIDENT.

MR. PRESIDENT: I am an American, and appreciate the good intentions of my country and the rectitude of those men whom it has sent to the Philippines to, in its name, take possession of and govern these islands. Accustomed as they are to the entire separation of Church and State, under which each administers that which pertains to it with absolute independence of the other, they are unable to understand that the King of Spain or his Governor-General in the Philippines should intervene in private affairs of the Church, nor could they admit that the property of the foundations, in which the Crown to some extent intervened, belonged to the Church. And this reasoning was correct, judging by the legislation of North America; no governing power in South America would concur therein, because none of those countries are unacquainted with the Apostolic Letters issued by Pope Julius II on July 28, 1508, granting to the Kings of Spain, as a reward of their fidelity, and as an incentive to carry on the arduous undertaking of discovering new islands and extending over them Christianity, the right of Patronate in all the countries already or to be discovered, that is, *the right to indicate fitting persons for appointment to any churches whatever*, exercising this right over the churches and all pious institutions;—nor are the Spanish laws decreed by virtue of this concession and which are contained in the “Digest of the Laws of the Indies,” unknown in those countries. And that is the reason for the extensive intervention which the Kings of Spain and their Viceroy in Spanish America, as well as their Governors-General in these Islands exercised in ecclesiastical matters the Viceroy and Governors-General exercised in the King’s name the Viceroyal Patronate, and it was thus expressed in their official communications relating to the matters of the Church, for the dispatch of whose business they had a special office, and the King exercised the Patronate in the name of the Pope, who was the grantor thereof. But the Patronate does not signify the “property” of the Church, nor the ownership of the properties of the foundations over which it is exercised, but only the right granted in the concession; the ownership pertains to the Catholic Church, and if on account of any event whatever the Patronate ceases, as in the present case, the privilege granted reverts to the Church, and all things comprised in the grant become again under the jurisdiction of and are governed by the common ecclesiastical law.

The Patronate does not only represent an honor to be received, or a privilege to be exercised; it also represents duties to be fulfilled, because the Patron is obliged to contribute a portion for the construction of Churches, and to assist the hospitals and other foundations over which he exercises the Patronate; the Spanish Government further paid a pension to all ecclesiasts who held office in the

cathedrals and parishes, and also the amount necessary for the support of the Catholic worship: The Insular Government does not desire these honors and privileges, and is unwilling to give anything for the Church, because the American Constitution forbids; but on the other hand it asks what no Patron has ever asked because he had no right thereto—ownership of the pious foundations.

The last Spanish Governor-General well understood the doctrine just expressed, and upon the termination of Spanish sovereignty in the Islands, by virtue of the Treaty of Paris, directed a communication to my predecessor, the Most Reverend B. Nozaleda, then Archbishop of Manila, informing him that Spanish sovereignty in this Archipelago and the exercise therein of the Royal Patronate were about to cease; wherefore he furnished him this information so that he, as Prelate, might take charge of the foundations and Pious Works which pertained to the Royal Patronate.

COLLEGE OF SAN JOSÉ.

D. Esteban Rodriguez de Figueroa, a Spaniard who had been Governor of Mindanao, by a will executed in 1596 ordered a house to be built next to that of the Company of Jesus in the City of Manila which should serve as a Seminary for boys; to which end he left property, intrusting to the Father Provincial of the Company of Jesus of said City the Patronate and administration of said College. In August, 1601, the Vicar-General, through the Ecclesiastical Chapter, the See being vacant, granted to Father Luis Gomez, who had been appointed Rector of the College of San José by the Company of Jesus, a license to found said College "where the youth may be educated and instructed in good manners and letters, and ministers for the Holy Gospel reared," the Governor-General, in the name of the King, issuing on the same day his license for its foundation.

On May 3, 1722, at the request of the Procurator General of the Company of Jesus, Philippines Province, the King of Spain received the College under his Royal Protection, and granted the title Royal ad honorem "without burden to my Royal Treasury" to the Seminary of Grammatical, Philosophical and Theological studies, known as San José, founded by D. Esteban Rodriguez de Figueroa, on account of the great progress which the said College has made and is making in virtue and letters, and the many learned men who have come from it.

The Company of Jesus having been suppressed in the Philippines in the year 1768, the College of San José remained under the Royal Protection, and by Royal Order of March 21, 1771, it was ordered that its Rector be appointed from those of good conduct who had been students thereof, which appointment ordinarily fell to a capitulary of the Cathedral.

The College thus continued till the year 1875, when the King of Spain, exceeding, according to my understanding, the faculties which he possessed as Patron, ordered its income dedicated to the support of the faculties of Medicine and Pharmacy which he at the same time ordered established in the College, whose administration should be under the care of a Director appointed by the Vice-Royal Patronate; the College has continued till to-day in that manner.

HOSPITAL OF SAN JUAN DE DIOS.

The Hospital of San Juan de Dios was founded in the year 1596 by the Brotherhood of the House of Misericordia established in Manila with the approval of the Ordinary, that the sick servants of Spaniards, Peninsula Spaniards and Mestizos might be cured therein. At that time there already existed in Manila the Hospital of San Gabriel, for Chinese, founded by an Archbishop; that for natives, which dates from the first days of the evangelization of these islands and, thanks to the charity of the first Bishop of Manila, intrusted to the Franciscan Fathers; and the Military Hospital, founded by the Government with the name of Royal Hospital.

The above classification is necessary because the Hospital of San Juan de Dios, formerly known as the Hospital of the Misericordia, on account of its origin, has been frequently and is still sometimes confounded with that of the Franciscan Fathers; as some people likewise confound this charitable institution with the Royal Hospital, which error arises from the mistaken idea that the Government was the founder of the Hospital of San Juan de Dios.

The work of the Hospital of the Misericordia (to-day San Juan de Dios) developed slowly, commensurate with the amounts it received from pious persons and the gifts worthily made to it. In this work the Misericordia was never assisted by the Government, and the latter never exercised any control over it, direct or indirect.

The Brotherhood of the Misericordia administered its Hospital as its own property, and was never at any time molested in the peaceful possession thereof or the free exercise of its government and administration as the owner and sole founder of that institution of charity.

So certain and strong was its right, that the King, by Royal Decree of December 5, 1659, issued with the object of authorizing the transfer of this Hospital to the Hospitalary Order of San Juan de Dios, makes known that the Patronate of this Hospital belongs to the Brotherhood of Misericordia.

On May 31, 1656, the Brotherhood of Misericordia made an irrevocable gift of its hospital to the Order of San Juan de Dios by a public writing before the Notary, D. Tomás de Palenzuela y Zurbarán, together with all the properties pertaining to it, but reserving the right of Patronate over the Hospital.

The Order of San Juan de Dios changed the name of the institution to that of their Holy Founder, and administered it independent of the civil authorities and of the Royal Patronate till the year 1865, when, for lack of proper personnel and other reasons which are not germane to the case, they ceased administering the said Hospital in conformity with the Royal Order of August 17th of that year, at which time the Spanish Government first invoked the privilege of its Patronate.

A board, composed of gentlemen of the city of Manila, was designated by the new Patron to administer the Hospital of San Juan de Dios.

Upon the change of sovereignty over these Islands the Board of Directors delivered the said Hospital and all its properties to the Archbishop of Manila, who exercises thereover the Patronate by his own right, as Prelate of this Diocese, now that the privilege of Royal Patronate has ceased.

HOSPITAL OF SAN LAZARO.

The Hospital of San Lazaro was founded inside the old City of Manila by a Franciscan lay brother in the year 1578. In March, 1583, this Hospital was entirely destroyed in the great fire which consumed nearly the whole City.

The first Bishop of Manila, D. Domingo de Salazar, built at his own expense a new hospital within the said City for the poor natives, and constructing a special department for lepers, intrusting its administration to the Franciscan Fathers. In 1603 this Hospital was again destroyed by fire.

The Franciscan Fathers bought sufficient land to erect a new hospital for lepers between the old town of Dilao and Malosac, and there established it.

Governor Corcuera attempted to exercise undue authority by reason of the Vice-Royal Patronate over this Hospital, and the Franciscans protesting against his decision, besought the King, who disapproved the measures taken by Corcuera in his Royal Decree in the year 1641.

In 1662, by reason of the preparation of defenses of the City of Manila, during the Governorship of General Manrique, the building of this Hospital was destroyed. Later another building was constructed between the old town of Dilao and Balete.

By the Royal Order of April 2, 1767, the Jesuit Fathers were expelled from the Spanish domain, and the Treasury took over all their properties. The said Treasury wrongly considered that the property of San Lazaro, known as Mayhaligue, was private property of the Company of Jesus, omitting to take into account that it was an ecclesiastical benefice, and that if the Jesuits enjoyed the fruits thereof it was in their capacity of parish priests of Santa Cruz. The Government in the Philippines persisted in this error, and it may be that, the origin of the property being known to it, it wished to make amends for the wrong done, and the Vice-Royal Patron, Señor Basco, granted to the Franciscan Fathers that which had formerly been used for the support of the Cult, that is, the hacienda of Mayhaligue.

The concession to the Hospital of San Lazaro of the lands of Mayhaligue took place in 1783, in compensation for the damage caused by having to abandon the Hospital in Balete under military orders. The King approved this transfer in 1784.

The Franciscans took possession of the new house in 1785, and of the Hacienda in the year 1786.

The Hacienda of Mayhaligue, to-day known as San Lazaro, and which constitutes part of the property of the Hospital of that name, was originally an ecclesiastical benefice belonging to the Parish of Quiapo, to which Parish said Hacienda had belonged since its creation, its products serving for the proper maintenance of said parish.

In this Hacienda there were a large number of Chinese settlements, similar to those in the old Parian, whose evangelization was in charge of the Dominican Fathers of San Gabriel.

To procure the more rapid conversion of the Chinese of Mayhaligue to Christianity, the Jesuit Fathers asked of the ecclesiastical authorities the division of the parish of Santa Cruz, in Manila, adjoining the parish of Quiapo, to establish there a new parish independent of the Mother Church, to include all the lands of Mayha-

ligue. The Bishop of Cebú, Ecclesiastical Governor of Manila, Father Pedro de Arce, on June 20, 1619, without complying with the requisites of law, and without taking into account that the See of Manila was then vacant, transferred the lands of Mayhaligue to the Company of Jesus. The Cathedral Guild protested against this transfer, and for five years the Jesuits did not make use of such illegal cession.

An account of this was given to the King, as Patron of the Churches of Asia, and by his Royal Decree of November 8th, 1645, he declared illegal and void the grant of the division of Santa Cruz, as well as others which had been made to the Jesuit Fathers.

During the time of D. Hernando Guerrero the grant of the division of Santa Cruz Parish to the Jesuit Fathers was again discussed, and this Archbishop declared null and of no effect the said division, ordering at the same that the Doctrine of Santa Cruz, together with its properties, be returned to the Parish Church of Quiapo.

Later, and on account of the differences which this same Archbishop had with Governor Corcuera on account of his defense of the diocesan authority and the rights of the Church, said Governor exiled the Archbishop to Mariveles. The Guild and the Religious Orders asked the Governor to raise the exile of the Archbishop, and the said Governor, in acceding to their request, laid down certain conditions, one of which was to the effect that the Archbishop must again grant to the Jesuit Fathers the division of Santa Cruz Parish. The Prelate refused to accede to this, but in view of the need which the Church had of a Pastor, he gave in against his will and through force majeure.

On the 13th of August, 1898, upon the surrender of the City of Manila, the Franciscan Father in charge of the Hospital withdrew to the Convent in Manila so as not to fall a prisoner in the hands of the insurrectos, who entered Manila from that quarter. Every day thereafter he sent from the Convent the necessities for the support of those in the Hospital. As the Hospital was situated at a point controlled by the insurrectos, the Provincial of the Franciscan Order informed the American Commanding General that he could not administer it unless he were furnished soldiers for protection. The General did not furnish the protection asked for, but took possession of said Hospital and its properties, and up to the present neither the Military Government nor the Civil which succeeded it have returned the administration of the Hospital to its legal owners and administrators.

HOSPICIO OF SAN JOSE.

The foundation of the Asylum (Hospicio) of San Jose dates from the year 1782, and is due principally to D. Francisco Gomez Enriquez, a Peninsular Spaniard, and to his wife, Da. Barbara Verzosa, who dedicated to this benefice, the former \$4,941, and the latter a credit of \$24,000 and odd pesos, as well as an urban property, to the end that by putting this capital into the Acapulco commerce it would produce enough to maintain the pious work of its institution.

The trustee of the founders, using the powers conferred upon him, placed the Hospicio under the protection of the Archbishop of Manila, as "father of the poor" (the words are textual), and it was put in charge of the Administrator of the Obras Pias of the Mitra.

The Spanish Colonel D. Felipe Cerain dedicated to the Hospital more than \$31,000 in the year 1806.

The Archbishop of Manila, in view of the fact that the Hospicio was a true pious work and desiring to aid it, donated thereto large sums accruing from various other pious works.

This beneficent institution, destined to shelter poor beggars of all classes and ages who were without means of support, was not really begun till the year 1809.

The construction of the Hospicio was carried on with private funds and without any assistance whatever from the Government.

The Hospicio bought with its own funds from the Spanish Government a house, in which the institution was installed.

There had existed from the creation of the Hospicio, for purposes of administration and government, a Board composed originally of the Governor-General, in his capacity of Vice-Royal Patron, President, two dignitaries of the Cathedral chapter and other persons of the community, none of whom exercised his functions as a State official, and whose services were always honorary and gratuitous. Later the Presidency fell to the President of the Supreme Court, and some years thereafter to the Provincial of the Augustinian Order; at the present time the office is filled by a dignitary of the Cathedral.

The appointment of the gentlemen composing the Board of the Hospicio were made by the Governor-General, as Protector and in his capacity as Vice-Royal Patron, and he never exercised this prerogative as Civil Superior Chief.

The acquisition of the property which the Hospicio had formerly purchased of it appearing desirable to the Insular Spanish Government, for the purpose of installing a cigar factory therein, the Government asked that it be sold back to it, which was done.

The loss of the American Colonies to Spain occasioned a considerable diminution of the capital of the Hospicio, wherefore the Spanish Government, as compensation for the benefits derived from the Institution, granted it various credits from the extinguished Meztizo Battalion, some of which were very difficult of collection, and also 1,000 pesos yearly from the Community Funds, together with 1½ per cent cereal tax. The appropriation of the thousand pesos yearly was very shortly suspended. The Community Funds were for the greater part composed of the funds known as the Sanctorum,—the proceeds of the special assignments for the support of the Cult and Clergy.

The present building of the Hospicio of San Jose was constructed in the year 1880 with private funds of the Hospital, upon land belonging to the Hospital of San Juan de Dios known as the Island of Convallescence, and which was acquired by the Hospicio in exchange for a certain loan to the Hospital of San Juan de Dios.

The Board of the Hospicio, upon the change of sovereignty in these Islands, considering the Hospicio of San Jose a pious work (*obra pia*), as it had always been considered, made formal delivery of said Institution, together with all its properties, to the Archbishop of Manila, and from that time on the said Archbishop is the only one who appoints the personnel necessary for the management and administration of the Hospicio, in his capacity of Protector thereof.

VALUATION OF THE FOUR FOUNDATIONS.

COLLEGE OF SAN JOSE.

The value of the building, with all its furniture and fixtures, and its two haciendas of Lian (Batangas) and San Pedro de Tunasan (La Laguna), is calculated to be five hundred and forty-seven thousand dollars and fifty cents United States currency (\$547,000.50).

SAN JUAN DE DIOS HOSPITAL.

The value of the building, with its furniture and fixtures, and its hacienda of Buenavista, is calculated to be one million one hundred and four thousand dollars, United States currency (\$1,104,000).

SAN LAZARO HOSPITAL.

The value of the buildings and its hacienda is calculated to be two million dollars, United States currency (\$2,000,000).

HOSPICIO OF SAN JOSE.

The value of the building with all its furniture and fixtures, and the house belonging to the Hospicio on Calle Rosario is calculated to be four hundred and fifty thousand dollars and fifty cents, United States currency (\$450,000.50).

There are, besides, other pious foundations, such as the Hospital of San José of Cavite, the Misericordia, in which are comprised the College of Santa Isabel and Santa Potenciana, and some others of minor importance, as for instance, Capellanías (chaplainsies), which serve for ordinations. I will say and affirm with respect to all the Pious Foundations in this Diocese that they are ecclesiastical and not civil; that the State, has never intervened in them, that is to say, as a civil entity, except the King of Spain as Patron in the name of the Pope, or the Governor-General as Vice-Royal Patron, in name of the King, as I have hereinbefore set forth.

The right, then, to these foundations is exclusively of the Catholic Church, as is recognized by the prominent jurists, and I am confident that the courts of justice will support my right if these questions are carried thereto. I concur, notwithstanding, in the fear which Mr. Taft expresses as to the litigation being long drawn out; this however, will not be due to the legal difficulties involved therein, but to the inexplicable delays which occur, as is now the case in the San José College suit—now pending about six years without a decision being rendered—which is not a very favorable indorsement of the prompt administration of justice in the Philippine Islands.

In order to avoid litigation the worthy Secretary of War suggests that a compromise might be made whereby all these questions could be adjusted, the Government retaining the Foundation to San Lazaro and abandoning all claim of right and power to administer the other Foundations. That is to say, we are asked to make an absolute cession of the Hospital and Hacienda of San Lazaro, which, while not the largest, is the most important and valuable.

I could not accept a compromise in this form, because I consider it to be ruinous, notwithstanding, I am disposed to enter, not into a transaction, which in my judgment is not in order because there are

no doubtful rights involved, but into an agreement, the basis of which might be any of the following:

First. The Catholic Church will cede to the Insular Government the Hacienda of Mayhaligue, to-day called San Lazaro, reserving to itself the lands and buildings situated within the walls which surround the same, and also the land comprised within the following limits: Bounded on the South by Calzada de Bilibid; on the East by Calle Cervantes; on the West by an Estero; and on the North by the said walls of San Lazaro. This land contains approximately 50 hectares, and the entire Hacienda, according to the latest plans, contains 161 hectares.

If this proposition is not accepted, it is proposed that—

Second. The Catholic Church will cede to the Insular Government the Hacienda of Mayhaligue, reserving to herself the Church Edifice or Temple contiguous to the Hospital, the 50 hectares comprised within the limits expressed in the above basis, and also the land comprised between Calles Oroquieta and Cervantes to the East and West and Calles Bilibid and Quiricada to the South and North,—7 hectares approximately in extent.

If this basis be not accepted, it is suggested that—

Third. That is, divide the Hacienda into two equal parts, one of the Catholic Church and the other for the Government; or failing this, to give to the Church in money the value of the half, as per assessment.

The Archbishop of Manila has a right to this Hacienda.

And to prove that this is so, and that neither the State nor the Municipality has any right of ownership over the land of this Hacienda, I need not go into any long reasoning; I will present only one proof, but it is irresistible: THE SPANISH GOVERNMENT BOUGHT OF AND PAID TO THE CHURCH, THE AMOUNT OF THE VALUE OF LAND NECESSARY TO CONSTRUCT BILIBID PRISON, SITUATED ON THE SOUTHEAST CORNER OF SAID HACIENDA, AS MAY BE SEEN BY THE CERTIFICATE ISSUED BY THE CHIEF OF THE BUREAU OF ARCHIVES OF THESE ISLANDS, AND THE PLAN THEREOF, WHICH DOCUMENTS I SEND HEREWITH.

NO ONE BUYS THAT WHICH IS HIS.

I trust, that one of these propositions will be accepted. If it be desired that the Church expand, work and exercise her good influence for the morality, well-being, and tranquillity of the people, she must not be deprived of the elements necessary for sustaining life; as in the end, whatever she receives and has, is but to use and spend for the benefit of the people itself, whose betterment and happiness form her constant aspiration.

And if, after the terrible devastation wrought by the war and insurrection, and the enormous losses incident thereto which the Church in the Philippines has suffered in its material interests, she is to be asked to cede all the Hacienda of San Lazaro, it would be as well to ask her to seclude herself within the walls of her almost ruined Temples and to renounce the work which constitutes her life.

JEREMIAH J. HARTY,
Archbishop of Manila.

To His Excellency, THEODORE ROOSEVELT,
President United States.

**PROPOSALS MADE BY ARCHBISHOP HARTY TO THE SECRETARY
OF WAR.**

WASHINGTON, D. C., *March 1, 1907.*

DEAR MR. TAFT: I have the honor to submit the following propositions tending toward a speedy adjustment in the matter of the San Lazaro estate, Manila, P. I.:

First. The Catholic Church will cede to the insular government the hacienda of Mayhaligue, to-day called San Lazaro, reserving to itself the lands and buildings situated within the walls which surround the same, and also the land comprised within the following limits: Bounded on the south by Calzada de Bilibid; on the east by Calle Cervantes; on the west by an estero, and on the north by the said walls of San Lazaro. This land contains approximately 50 hectares, and the entire hacienda, according to the latest plans, contains 161 hectares.

If this proposition be not accepted, it is proposed that—

Second. The Catholic Church will cede to the insular government the hacienda of Mayhaligue, reserving to herself the church edifice or temple contiguous to the hospital, the 50 hectares comprised within the limits expressed in the above basis, and also the land comprised between Calles Orquieta and Cervantes to the east and west, and Calles Bilibid and Quiricada to the south and north, 7 hectares, approximately, in extent.

If this basis be not accepted, it is suggested that—

Third. That is, divide the hacienda. And to prove that this is true, and that neither the State nor the municipality has any right of ownership over the land of this hacienda, I need not go into any long reasoning. I will present only one proof, but it is irresistible: THE SPANISH GOVERNMENT BOUGHT OF AND PAID TO THE CHURCH, THE AMOUNT OF THE VALUE OF LAND NECESSARY TO CONSTRUCT BILIBID PRISON, SITUATED AT THE SOUTHEAST CORNER OF SAID HACIENDA, AS MAY BE SEEN BY THE CERTIFICATE ISSUED BY THE CHIEF OF THE BUREAU OF ARCHIVES OF THESE ISLANDS, AND THE PLAN THEREOF, WHICH DOCUMENTS I SEND HEREWITH.

NO ONE BUYS THAT WHICH IS HIS.

I trust that one of these propositions will be accepted. If it be desired that the church expand, work, and exercise her good influence for the morality, well-being, and tranquillity of the people, she must not be deprived of the elements necessary for sustaining life; as, in the end, whatever she receives and has is but to use and spend for the benefit of the people itself, whose betterment and happiness form her constant aspiration.

And if, after the terrible devastation wrought by the war and insurrection, and the enormous losses incident thereto which the church in the Philippines has suffered in its material interests, she is to be asked to cede all the hacienda of San Lazaro, it would be as well to ask her to seclude herself within the walls of her almost ruined temples and to renounce the work which constitutes her life.

JEREMIAH J. HARTY,
Archbishop of Manila.

To His Excellency the Hon. WM. H. TAFT,
Secretary of War.

Should you accept any of the above-mentioned propositions, I wish it to be understood that the Government will withdraw all claims to the title of the properties known as the College of St. Joseph, the Hospice of St. Joseph, the College of St. Isabel, the Hospital of St. John of God, in Manila, and the Hospital of St. Joseph, in Cavite, with the properties belonging to them.

J. J. HARTY,
Archbishop of Manila.

DECISION OF THE PHILIPPINE COMMISSION IN THE SAN JOSÉ COLLEGE CASE.

BEFORE THE UNITED STATES PHILIPPINE COMMISSION.

T. H. Pardo de Tavera and others, for themselves and other inhabitants of the Philippine Islands, *against* the rector of the University of St. Thomas, a Dominican monk, and the Holy Roman Apostolic Catholic Church, represented by the most reverend the archbishop of Manila, and the most reverend the archbishop of New Orleans, apostolic delegate.

(Conclusions announced by the Commission.)

In the instructions given by the President of the United States to the Secretary of War for the guidance of the United States Philippine Commission was the following direction:

It will be the duty of the Commission to make a thorough investigation into the titles of the large tracts of land held or claimed by individuals or by religious orders; into the justice of the claims and complaints made against such landholders by the people of the island, or any part of the people, and to seek by wise and peaceable measures a just settlement of the controversies and redress of the wrongs which have caused strife and bloodshed in the past. In the performance of this duty the Commission is enjoined to see that no injustice is done; to have regard for substantial right and equity, disregarding technicalities as far as substantial right permits, and to observe the following rules:

That the provision of the Treaty of Paris, pledging the United States to the protection of all rights of property in the islands, and as well the principle of our own Government, which prohibits the taking of private property without due process of law, shall not be violated; that the welfare of the people of the islands, which should be a paramount consideration, shall be attained consistently with this rule of property right; that if it becomes necessary for the public interest of the people of the island to dispose of claims to property, which the Commission finds to be not lawfully acquired and held, disposition shall be made thereof by due legal procedure, in which there shall be full opportunity for fair and impartial hearing and judgment; that if the same public interests require the extinguishment of property rights lawfully acquired and held, due compensation shall be made out of the public treasury therefor; that no form of religion and no minister of religion shall be forced upon any community or upon any citizen of the island; that upon the other hand no minister of religion shall be interfered with or molested in following his calling; and that the separation between state and church shall be real, entire, and absolute.

Soon after the Commission reached Manila it was consulted by General MacArthur, the military governor, as to the proper course for him to take on the petition of the rector of the University of St. Thomas, asking him to revoke an order made by his predecessor, General Otis, in 1899, which forbade the rector of the University of St. Thomas to continue to maintain a school of medicine and pharmacy in the buildings of the College of San José, and to use its name and income for that purpose. The order of General Otis had been made at the instance of the president and directors of the Philippine

Medical Association, who claimed that the foundation of the College of San José had been completely under the control and administration of the Spanish Government as a public institution, and passed by virtue of the treaty of Paris to the United States Government, and that though the Spanish Government had permitted the college to be administered for it by the Dominican order, the United States Government, in which there is a complete separation of church and state, should maintain the administration of a school, with purposes so entirely secular as that of the teaching of medicine, free from sectarian and monastic influences. General Otis's order did not take away from the control of the rector of the university the property of the College of San José, but merely forbade the opening of the college as a school of medicine and pharmacy. The property of the foundation, therefore, is still in the possession and under the control of the rector of the University of St. Thomas, except that he is prevented by the terms of the order from opening a college of medicine and pharmacy therein.

The corporation of the College of San José owns two large haciendas. The issue here presented involves the question of the control of that property. Under the instructions of the President, the Commission deemed it its duty to investigate the issue involved and to bring it to a legal settlement. It so advised the military governor and suggested that he delay action upon the petition of the rector of the University of St. Thomas until the investigation could be had, and that meantime the college might be opened under the joint control of representatives to be appointed by each party. Joint control was unsatisfactory to both parties, and the military governor therefore decided not to change the status quo under the order of General Otis until the Commission should conclude its hearing and express to him its view of the proper action to be taken on the petition of the rector of the university. The hearing of the case was begun in July and continued from time to time until October. Dr. T. H. Pardo de Tavera appeared as the party complainant, representing the Philippine Medical Association and those of the Philippine people interested in secularizing the control of the College of San José. The Most Rev. Fr. Bernardino Nozaleda de Villa, Archbishop of Manila, and the Most Rev. P. L. Chapelle, Archbishop of New Orleans and apostolic delegate, appeared in behalf of the Holy Apostolic Roman Catholic Church and asked that it be substituted as a party to the issue instead of the rector of the University of St. Thomas, on the ground that the rector only represented the church in his control of the college. The archbishops were permitted to appear in this representative capacity and to defend against the prayer of complainants.

The pressing engagements of the Commission in other matters prevented a speedier hearing, and have delayed the announcement of its conclusions until now.

The questions in the case are these:

Did the Government of the United States, as claimed by the complainants, acquire by the Treaty of Paris the right and power to provide for the control and management of the foundation and properties of the College of San José, as an institution under the secular and civil control of Spain in the Philippine Islands,* so that the United States should now by law give to the college a directory, nonsectarian in character, to maintain and conduct it as a school of medicine and

pharmacy? Or—as claimed on behalf of the Catholic Church—have the foundation and properties of the College of San José, under the canonical law and the civil law of Spain, always been subject to the ultimate control of the church for sectarian charitable purposes—a control exercised by the King of Spain only by virtue of a concordat between him and the Pope, as head of the Catholic Church.

It is indispensable to a proper discussion of these questions that the history of the College of San José, as shown by the evidence and documents before us, should be stated. It was agreed between the parties that, for the convenience of themselves and the Commission, a statement of the facts, made by Lieutenant-Colonel Crowder, military secretary, in a report concerning the status of the college, to the military governor, should be taken as accurate, but that it might be supplemented by additional documents and evidence to be produced by either party. Additional documents have been produced by the parties and we do not understand that the authenticity of any of the documents adduced on either side has been denied. With the record of the case thus fixed, we proceed now to state, as succinctly as may be, the history of the College of San José.

On the 8th of June, 1585, the King of Spain, upon information that the fathers of the Society of Jesus had done much good work in teaching in the islands, and that their retention and increase was desirable, and that they should be assisted by the establishment of a college, commanded the governor and the bishop of the islands to report to him how the college could be instituted and the necessities of the Jesuit Fathers provided for. In 1601, on the 25th day of August, the provisor and vicar-general of the Archbishopric of Manila, upon the application of the Jesuit Father, Louis Gomez, granted permission to the petitioner and his order to found and establish the College of San José for the purpose of bringing up young people of the city of Manila and rearing them according to good manners and learning and of creating such ministers of the Holy Gospel as might be needed in the land and to perform masses in the college. Upon the same day the governor and captain-general of the Philippines in the name of the King of Spain granted a similar license to the same applicant. How far the Jesuit Fathers were successful in establishing a college for the purposes mentioned between 1601 and 1608 does not appear very clearly. Certain it is that a school was opened called San José, but there appears to have been no property foundation of any kind until after 1605. In the month of March, 1596, Rodriguez de Figueroa, then governor of Mindanao, made the following will:

In the name of God. Amen. Know all whom this will may see that I, Esteban Rodriguez de Figueroa, governor and captain-general of Mindanao and of its district, now a resident of the village of Arevalo, legitimate son of Duarte Rodriguez de Figueroa and Da. Isabel Gonzales, my parents, formerly residents of the city of Jerez de la Frontera, in the Kingdom of Castile, being in good bodily health and in my natural understanding and memory, such as pleased our Lord to give me, and believing, as I truly and firmly believe, in the Most Holy Trinity, Father, Son, and Holy Ghost, three persons, and only one true God, who lives and reigns, without beginning and without end. And taking as I do the Holy Virgin Mary as my lady and advocate in all my actions, and desiring to place my soul in course of salvation, and naturally fearing death, I execute, acknowledged by these presents, and order this my last and ultimate will, in the manner and form as follows:

And so that God, our Lord, should not allow any of my said children to die before they become of age, competent to make a will, I, as their father and

legal administrator, am competent to make a will for them in such case, and by virtue of said power, I order and command that if the aforementioned happens, their mother, Ana de Oseguera, if surviving, inherit the estate of the deceased and of both, the third and the remainder of the fifth being devoted to what is hereinafter declared, and if said D. Ana de Oseguera and my said children, or either of them, die without leaving heirs in the descending line, then, in such case, their estate and their legal paternal or maternal portion, together with the rents and profits therefrom, shall be devoted to the foundation of a college in the manner hereinafter stated, the same being done, if said Da. Ana de Oseguera survives, with the third and remaining fifth; in either one or the other event, a house must be constructed near the Society of Jesus of Manila, sufficient to serve as a college and seminary for boys, where all those be admitted who should desire to enter the primary classes of said seminary; I pray and request whoever may be the provincial of said society to furnish such boys with sufficient teachers for that purpose, the remaining part of said building, not used for that purpose, to be rented for the purpose of maintaining such children and boys; the said father provincial to be the patron and administrator of said college, and no one can enter therein without his permission and authority; to visit and to correct and arrange all of its things, to order said sale, buy the possession and the building, and to appoint a collecting agent and other officials and ministers with the power and authority necessary to such ministry, without said college, nor any judge, nor any secular nor ecclesiastical administration of justice taking part therein, notwithstanding any pretensions that may be advanced. And if any rent remains after payment of maintenance for said boys and of clothing for those who are poor, the said patron may dispose of it at his will for the benefit of said college and of the society or of any other pious work, as he may deem best, without at any time asking or taking any account therefor from him, for any cause or reason.

I revoke, annul, and declare as of no value and effect any will, order, or codicil which I may heretofore have made, so that they be of no value except this one, which I desire to be valid as my last and ultimate will, in the course and form which is proper under the law.

In testimony of which I have executed it and signed it with my name at the village of Arevalo on the sixteenth day of the month of March, 1596.

In 1605, after the death of Governor Figueroa, the event happened which fulfilled the condition of the gift of the testator to found a college. Part of the funds or property which thus became available were in the City of Mexico, and in order to obtain them it became necessary to apply to the King of Spain to permit the transmission of the annual income from Mexico to the Philippine Islands. An application was accordingly made by the head of the Society of Jesus, in which the facts were set forth substantially as before stated, and the necessary permission was requested. By decree of September 13, 1608, this permission was granted as necessary to the founding of a college and seminary in the city of Manila, where the children of the residents of said islands should be educated, and where such a college was needed so much for the purposes of study and of creating ministers of the gospel, of which the applicant, the procurator of the Society of Jesus in the Indies, had been designated as patron. On the 28th day of February, 1610, the vicar-general of the diocese, upon an application of the provincial of the Society of Jesus, after reciting the will of Figueroa, the appointment of the provincial as patron, the establishment of the college, the foundation of twenty scholarships, renewed and confirmed the license and permission of 1601 to Father Gomez to establish the college and celebrate masses therein. On July 12 and 27, 1669, King Philip IV made an unconditional grant to the college of \$8,000, and on July 27 of the same year Queen Mariana, of Austria, made a similar grant of \$12,000. On the 3d of May, 1722, the King of Spain received a petition from the head of

the Society of Jesus in these islands, stating that the society was administering in the city of Manila "a seminary for grammatical, philosophical, and theological students in the name of San José, founded by Don Esteban Rodriguez de Figueroa," and praying in consideration of the good that it had done and on account of the particular benefit which would result to the whole of said republic that the King receive it within his royal protection, granting it the rights, privileges, and preeminences of a royal college without any prejudice to his royal treasury, with authority to place his royal coat of arms over its doors and other customary places, and to make use of the title in documents and letters. The King deemed it proper to grant the request, admitted the College of San José within his royal protection, honoring it with the royal title of *ad honorem* in case it should have no patron, upon express condition that it should never cause or produce prejudice or embarrassment to the royal treasury by reason of the title. He commanded the governor of the Philippine Islands and prayed and requested the archbishop of the Metropolitan Church of the city of Manila not to place or allow any embarrassment or impediment whatever to the enjoyment by the College of San José, administered by the members of the Society of Jesus, to the enjoyment of the royal title thereby granted and the other privileges in respect thereto.

In 1768, by the pragmatic sanction, the Jesuits were expelled from the Philippine Islands, their properties were seized by the Crown, and in lieu thereof pensions were allowed to the order. As part of the properties, the governor of the islands seized the College of San José and its estates and treated them in every respect as confiscated to the Crown. The college building was turned into barracks. Against this confiscation the archbishop protested and petitioned the governor-general that, pending the King's action on the protest, the college be delivered to him. The petition was granted, and the archbishop took possession of the college and converted it into a religious seminary for natives. Against this action of the archbishop the court of the *audiencia* protested to the King, contending that the College of San José should upon principles of law revert to the status fixed by its foundation.

On March 21, 1771, the King acted on the representation of the *audiencia* and the protest of the archbishop. He disapproved the seizure and despoliation of the properties of the San José College by the governor, but he also disapproved the conversion of the college into a seminary, made subsequently in common accord by the archbishop and governor. In the rescript of the King upon the issue thus presented, he held that the action of the governor was entirely contrary to what was ordered in the instructions for the expulsion of the Jesuit priests, and against the right which those who were in the college at the time, and those who should succeed them in the future, had legitimately acquired to maintain themselves there; that the new order of things in regard to the want of teachers could not serve as an excuse, since priests would not be lacking to be substituted for the present, and in time they would become suitable persons for sustaining this laudable foundation; that the spoliation had been a cause of the most serious damage and pernicious consequence, as it was shown that the said college was founded with a view to instructing the sons

of leading Spanish subjects of that city in grammar, philosophy, and theology; that twenty scholarships were created in it for that many more collegians; that their instruction was undertaken and the direction was intrusted to the expelled priests of the society; that the father of the then King had been pleased to receive it under his sovereign protection on May 3, 1722, and to decorate it with the title of royal *ad honorem*, provided it should have no other patrons, and upon the express condition that it never would or could produce a burden or charge of any kind on the royal treasury, and that the said Order of the Society of Jesus had no interest in it except the said direction and government; that under the orders of 1769 and 1770, regarding the seizure of the temporalities of the Jesuits, it was decreed "that no change should be made in the colleges, or the secular houses, whose direction and the instruction therein were in their charge; that the governor and the archbishop had exceeded their authority in erecting a new collegiate seminary in the College of San José," and as the College of San José had nothing in common with the expelled priests through their only having had its administration and direction, and this having ended with the expulsion, the said governor ought to have appointed an ecclesiast of good standing as rector and administrator from those who had been students in the same college, as being already instructed in its management, with these instructions, to give an account every year without permitting the archbishop to meddle in anything pertaining to the college, "as it is under my royal protection and therefore totally independent of the ecclesiastical ordinary, as are the other obras pias spoken of by the tridentine."

The King accordingly ordered that all things be placed in the college in the same state and condition in which they were before the change took place.

At the commencement of the year 1777 the governor appointed as rector and administrator of the College Don Ignacio de Salazar, Canonical of the Metropolitan Cathedral, who in that year took charge of the property of the College of San José, and from that time down to 1879, the position of rector-administrator of the College of San José was always intrusted, by appointment of the governor-general, to an ecclesiastic of the cathedral, with the duty of reporting the accounts of his administration every three years. The management of the college was not successful and the administration of its properties was negligent, and possibly in some of its years corrupt. The field of secondary education which it had attempted to fill came to be occupied by newer and more successful institutions, such as the Municipal Atheneum and the College of San Juan de Letran.

Between the years 1860 and 1870, the question of the conversion of the College of St. Joseph into a professional school of some character, of arts, agriculture, or medicine, was much discussed, particularly its conversion into a school of medicine and pharmacy. Finally, in 1867, a board consisting of the rectors of the university, Municipal Atheneum, and College of St. Joseph, and one representative each of the professions of medicine and pharmacy, was convened by royal order and charged with the duty of ascertaining the origin and object of St. Joseph's College, its revenues and pious charges, and the best

manner of installing therein classes of medicine and pharmacy. Its condensed finding is thus reported :

Result: That there only appears the strict obligation of supporting three scholarships with the estate of Tunasan, and one more when the "Mesa de Misericordia" (Table of Mercy) may guarantee its expenses. As to the studies nothing is said of what kind of faculty they shall be—it is only set forth that sons of well-born Spaniards shall be educated in virtue and letters.

Morales de Setien, rector-administrator in 1869, in submitting his report of that year, reaches the same conclusion. He refers to the fact that at that time Manila was provided with five colleges dedicated to secondary instruction, and points to the great advantages which would result if one of these colleges could be devoted to teaching something more adapted to the conditions of the country and the wants of its inhabitants. The rector of the University of St. Thomas also expressed the opinion that the diversion of the greater part of the college's funds to the maintenance of classes of medicine and pharmacy was within the provisions of that clause of the will of the founder, declaring that "if the said funds, after paying the board of said boys and the clothing of those who are poor, should show a surplus, the said patron may dispose of the same as he thinks right for said college or the company, or in other pious works, as he may deem best, without being called to account at any time for any cause or reason whatever."

In short, it was argued that the specific intention of the founder had failed, and that his general intention in favor of educational charity should be effectuated by the government through a cypres application of the funds, or, as the canonical phrase is, by commutation.

In 1870 the Spanish Government adopted the famous decrees concerning education in the Philippine Islands known as the Moret Decrees, by which it was attempted to secularize most of the institutions of learning. Among other provisions in these decrees, was one directing that the College of San José, the College of San Juan de Letran, the Ateneo Municipal should be united in one academy for secondary and entirely secular education, to be known as the Philippine Institute, to be subject to the ultimate control of a superior board of education, which was civil and secular in its character. These decrees were never enforced. They were successfully resisted by those in control of the College of San José and the others as an arbitrary and unjust despoliation.

In 1875, upon the accession to the throne of King Alfonso, new decrees were made by which the University of St. Thomas was reorganized, though the control of it by the Dominican order was not disturbed, and the College of San José was in a sense incorporated into the university. The history of this is found in Colonel Crowder's report, as follows:

The incorporation of the College of St. Joseph into the university and the application of its revenue to the maintenance of the university classes of medicine and pharmacy were accomplished by articles 2 and 12 of this decree of 1875, the former prescribing that "in this university shall be given the necessary studies for the following professions: Jurisprudence, canons, medicine, pharmacy, and notary," and the latter that "the branches of medicine and pharmacy, although constituting an integral part of the university, will be taught in the College of St. Joseph, whose revenues, with the deductions of the amounts for pious charges, will be devoted to the expenses of these branches. The five-sixths

part of the fees from the registration of these subjects and half of the fees for degrees, titles, and certificates of the alumni will also pertain to the college mentioned. The rest will be applied to the general expenses of the university."

These articles conferred a positive benefit and were immediately enforced. Other articles, the effect of which was to impair, to a degree, at least, the Dominican autonomy, were accorded a very different reception, and to these attention will now be invited. The first and most important of these latter articles is article 14, which reads as follows:

"The vice-royal patron, upon the recommendation of the rector, shall name a director for the College of St. Joseph, confiding to him also the administration of its revenues. In lieu of this functionary the senior professor of the branch of medicine will perform the duties of director-administrator."

The rector's first action under this article was the recommendation of Dr. Manuel Clemente, director-administrator of the college, who was appointed by the governor-general. But in 1876-77 there resulted a large deficit in the revenues of the college, and a royal order, dated June 5, 1877, was issued by the minister of colonies recommending a more careful management of the college funds.

When the governor-general received said royal order he convened a commission, and charged it with studying and making recommendations as to the proper way of maintaining the faculties of medicine and pharmacy with the funds of the college alone if possible. This commission condemned the administration of Clemente as unfit and abandoned, and in its report of September 5, 1877, recommended that the rectorage of the university should immediately take charge of the estates, valuables, and all properties and documents of St. Joseph's College; and that regulations for the management of the same be extended. As a result, the governor-general, on September 28, 1877, decreed that an administrative commission, composed of the rector of the university and the professor of pharmacy, Fernando Benítez, should take charge of the college, conferring upon them the powers necessary to carry out the complete reorganization of St. Joseph's College, such as was provided in the royal order of 1875. This commission commenced its work in October, 1877, and on July 26, 1878, submitted its report, in which it recommended that the office of director-administrator should be made two separate offices, the office of director to be filled by the rector of the university, to be rated ex officio director of St. Joseph's, and that of administrator to be filled by the governor-general upon the recommendation of the rector of the university of three names to be taken from the professors of medicine and pharmacy. This report was approved by the governor-general in his decree of August 1, 1878, in which he directed that the immediate direction and government of the college should be hereafter under the charge of the rector of the university, and that the administration of said college should continue in the hands of Don Fernando Benítez, professor of pharmacy. This decree of the governor-general was subsequently approved by royal order of March 24, 1880, with the modification that Benítez, in his post of administrator, should be removable, and that his successors should be named by the governor-general upon the recommendation of the rector of the university of three names, the appointee being always a professor of one of the branches of medicine or pharmacy. By the governor-general's decree of August 1, 1878, the rector was charged with preparing regulations concerning the control and management of the college. It appears that such regulations were issued by the governor-general on October 15, 1879; that title 2 of said regulations gives to the rector of the university, as ex officio director, the control of the properties and finances of the college.

It has thus happened that article 14 of the decree of 1875, which, although it did not direct, certainly permitted the control and management of St. Joseph's College to be given into the hands of a layman, has been in effect abrogated by subsequent orders of the governor-general, approved at Madrid, which place the management and control of the finances in the rector of the university.

Articles 6 to 10 of the decree of 1875 have shared a similar fate. There has never been a competitive examination held either here or at Madrid for vacant professorships, and these have been filled by the governor-general upon the recommendation of the rector. Regulations to carry the decree of 1875 into effect, which were to have been published and remitted to the minister of foreign colonies with all urgency, have not yet been published, although the rector claims that a draft of such regulations was prepared and forwarded in 1876, and a second draft in 1890. * * *

The administration of the college properties is separate from that of the university properties. Two accounts are kept, each with its own funds and dis-

distinct administration, but both under the same direction, to wit, that of the rector of the university. * * * On the whole it seems that the effects of the decree of 1875 upon St. Joseph's College were radical in the extreme when we consider the independence it enjoyed in its earlier history. Its scholarships, which prior to 1870 had been maintained at twenty, were, shortly after this decree went into effect, reduced to three and transferred to another institution. The instruction formerly given within its walls in "virtue and letters," in accordance with alleged requirements of its foundation, gave way, under that decree, to professional education in medicine and pharmacy. Its revenues, deducting the insignificant portion necessary to maintain three scholarships and a few other pious charges, were devoted to the maintenance of the faculties of medicine and pharmacy. But the administration of the college properties was kept distinct; the separate autonomy in this regard remains unimpaired.

The income from the property in normal times seems to be about \$20,000 gold and to indicate a foundation of about \$500,000 gold.

ARGUMENTS.

In the opening arguments for the complainant the ground was taken based on the history of the college as recited by one ecclesiastical writer, that the college was founded by the royal decree of 1585 and that \$1,000 a year was devoted from the royal treasury to its support, that the gift of Figueroa was merely in support of the royal foundation, and that contributions were made by the government of the islands from time to time to aid the college as a royal college. It was said that such a college was wholly free from ecclesiastical control if the King desired to make it so and that he had shown his desire to do so in the establishment of it as a secular college of medicine and pharmacy without any instruction in morals or religion.

The contention on behalf of the complainant that the college was originally of royal foundation by grant of 1,000 pesos annually was denied by the prelates appearing for the church, and in the reply of the complainant's counsel the commission understood this contention not to be insisted on. We come, therefore, to the argument for the church, because the issues really presented for decision are more sharply drawn by the argument for the church and the reply of counsel for the complainant.

The argument on behalf of the church begins with the premise that all ecclesiastical pious works as defined by canonical writers and laws are subject to the ultimate control of the church; that the method of administering such works was fixed by the decrees of the Council of Trent, and that by decree of Philip II the canonical law formulated and declared by this great church council has always been recognized as binding in the Kingdom of Spain; that under such decrees there were two ways in which pious ecclesiastical works were administered by the church, one through the control of visitatorial power of the ordinary or bishop of the church and the other through the King; that pious works administered through the King were not subject to the control or visits of the bishop except by license of the King, but that in controlling such works the King was acting merely as the delegated agent or trustee of the church.

In support of the claim that the foundation of the College of San José was a pious ecclesiastical work within the operation of the decrees of the Council of Trent, references are made to the definitions of such works by writers on the canon law in describing the property devoted to them as a class of church patrimony. The authors cited

describe as church patrimony all property destined to succor the poor and needy, including in its category hospitals, asylums, colleges for the education and training of Christians, religious confraternities, and in general institutions and foundations to works of charity and religion, and say that two things are necessary and sufficient in order that the institutions and foundations be ecclesiastical and that their properties pertain to the church; that is to say, that they are by full force of right pious ecclesiastical works: First, that they be founded with the license and authority of the diocesan bishop, and second, that the foundations of the said institutions have been made through motives of charity or religion, or what is equivalent, that they have been made with the idea of promoting holy religion and providing for some moral and material necessity of the founder's fellow-creatures within the church. The argument distinguishes such foundations from those which in modern states are not ecclesiastical institutions because their founders were not influenced in their action by motives of religion or Christian charity, nor did they found them in the exercise of Christian charity, but simply through sentiments of philanthropy and as acts of social beneficence, with the unmistakable absence of all Christian influence or intention. Attention is called to the bull of Pope Alexander VI in 1501, by which the titles and first fruits of the Indies, with the duty of propagating the faith and endowing the churches and appointing ecclesiastical ministers therein and fully to maintain them, were granted to the Kings of Spain; and to that of Pope Julius in 1508, by which the universal patronage, to wit, that of nominating proper persons for churches, cathedrals, monasteries, dignities, colleges, and other ecclesiastical benefices and pious places, was granted to the King of Spain; and to the concordat of 1851 between the Pope and King of Spain, by which it was agreed that the church should have the right of acquisition by any legitimate title whatever, and its proprietorship in all that it possesses in the present or should acquire in the future should be respected, and that no suppression or fusion should take place without the intervention of the authority of the Holy See; and to the covenant of 1860 between the same parties, by which the Spanish Government recognized anew, in a formal manner, the full and free right of the church to acquire, hold, and enjoy the usufruct in ownership without limitation or reserve of all kinds of property or values, and consequently annulled by this covenant whatever previous covenant might be contrary to it, stipulating that the property which in virtue of this right should be acquired and possessed in future by the church should not be counted in the endowment which had been previously assigned to it by the concordat.

Upon these premises the argument on behalf of the church proceeds to point out that the foundation of Figueroa fulfilled one of the two requirements of a pious ecclesiastical work, in that it was a gift by a professing Catholic for the education of Catholics under the administration of a Catholic order, which could do nothing except with permission of the head of the church, in letters and morals—morals which it is conceded by counsel for complainants were Catholic morals—and therefore that the foundation was made through motives of charity and religion, to promote holy religion and provide some moral need to the founder's fellow-creatures within the church; that the founder's intention to make his gift a pious ecclesiastical work could be clearly seen in the will itself, in which he authorizes the patron to

devote a surplus of funds to any other pious works, thereby emphatically implying that he regarded the main foundation as pious work. Reference is also made to the construction placed upon the purpose of the founder in the royal licenses to permit the transmission of funds of the trust from Mexico to the Philippines, and in the decree taking the college under royal protection, by which the foundation is said to be for education of the youth of Manila, in theology among other things, and the preparation of young men as ministers of the holy religion. It is then contended that the other requirement of the definition of a pious ecclesiastical work, to wit, that it be founded with the license and authority of the diocesan bishop when fulfilled as to the College of San José, because, before the Jesuits founded their college in 1601, they obtained a license from the representative of the Archbishop of Manila to do so, and in 1610, after the college had become the foundation of Figueroa under his will, the permission originally given in 1601 was confirmed to administer the college under that foundation, and permission was given to say masses in the school.

The right of the King to take the college under his protection in 1722, and to provide an administrator for the college in 1768, is attributed to the argument for the church to the control given to the King of Spain over church property and tithes and first fruits by the bull of Pope Alexander VI in 1501, and to the still wider power of universal patronage given the same monarch by the bull of Pope Julius II in 1508, and it is said that the King was merely acting as the pope-appointed royal patron of the college in providing administration for the college after the private patron became incapable under the pragmatic sanction, and that the King recognized the ecclesiastical character of the foundation in selecting a priest as administrator.

The argument that the Crown of Spain asserted an absolute right to control the purpose of the college free from the church by the decrees of 1870 and 1875 is met by the contention that the decree of 1870 was never enforced, and that of 1875 was only executed so far as to make the college a part of the sectarian and church-managed University of Saint Thomas, in which the Catholic religion was taught and the Dominican rector administered both trusts for the same purpose, to wit, the conduct of a university under the Catholic Church, and that the diversion of the funds of the College of San José to the various chairs of medicine and pharmacy embraced in such a university is quite in accord with the religious motives of the founder expressed in that clause of his will in which he authorized his patron, when the original purpose failed or was satisfied, to expend the income in other pious works; but that to use the funds for a medical school under civil and secular control, completely divorced from the church and association with a Catholic university, would be a complete departure from the terms of the will and a violation of the intentions of the testator.

Another argument made on behalf of the church rests upon the obligation of the Government of the United States to observe as sacred contract rights created and secured by the granting and acceptance of a charter of the sovereign. It is said that the College of San José, by what was done, was created and became a body corporate, and that the instruments which made up the charter for its existence, including the will and its recognition by royal decree and license, prescribed a clear and well-defined government for the college by

the head of a religious order, and that any attempt to take the college out of ecclesiastical control would be a breach of the contract rights acquired by those for whose benefit the trust was to be administered from the civil sovereign, whose obligations in this regard passed to the United States. Much reliance was put on the decision by the Supreme Court of the United States in the well-known case of *Woodward v. Dartmouth College*, in which it was held not to be competent for the legislature of New Hampshire to change by legislative act the mode of choosing the trustees of Dartmouth College and their number, as prescribed in a royal charter of the King of England granted before the separation of the United States from the mother country, because the accepted charter was a contract which it was forbidden by the Constitution of the United States to a State to impair by legislative act.

The argument for the complainant in reply, assuming, as contended for the church, that the real beginning of the College of San José as a corporate entity and a work of charity began with the vesting of the gift under the will of Figueroa, and that the events occurring between 1601 and 1608 did not change or affect the light in which the college should be viewed, and accepting for the sake of the argument the definition of a pious ecclesiastical work given in the argument for the church, was that the foundation of Figueroa fell short of both requirements stated, in that it was a mere act of philanthropy and secular charity and was not intended to be a provision for the aid of the holy Catholic religion or to be under the control of the church as an ecclesiastical pious work; that the delegation of the power of control and patronage to the head of the Order of Jesus was a mere description of the person of the administrator, and was not intended to put the control of the institution under its patron as a subordinate of the Holy See; that this was most manifest from the express declaration of the testator that no ecclesiastical authority should interfere in the management of the college and its properties, and that the words "other pious works," used in the will, could not, in view of this express exclusion of ecclesiastical authority from ultimate control, be construed to mean ecclesiastical pious works. The argument, as continued, was that Figueroa's foundation failed also to fulfill the second requirement of an ecclesiastical pious work, in that it was not licensed by the diocesan authority as such. It was said that license of the vicar-general of the diocese of 1601 was merely personal permission to the provincial of the Jesuits as a priest to conduct a college and to celebrate masses, and was not a license of an ecclesiastical pious work, for, as conceded in the argument for the church, the college of the Jesuits in 1601 was not an ecclesiastical pious work, for it lacked the substance of a foundation and the permanence involved in the obligation to continue the college forever. After the foundation by Figueroa it was argued there was no diocesan license or authority for the foundation, that the confirmation of the license of 1601 by a diocesan order of 1610 was a mere repetition of the personal license of 1601 to the provincial of the order to do that which without the permission of the bishop he could not as a member of his order do. The contention further was that as this was a mere private charity for public benefit, the application to the King of Spain for his protection and for the right to be known as a royal college put it under the control of that monarch in the exercise of his royal prerogative as a sovereign, subject only to the exercise by the provincial

of the Order of Jesus of his power as patron, and free from any interference by the Church of Rome. The expulsion of the Jesuits, it is said, deprived the trust of the trustee appointed in the will and placed the burden of providing a trustee upon the sovereignty, who had become the protector of the college and who was by general law the *parens patriæ* and authorized to provide trustees for trusts of this character where the person named in the deed or instrument of foundation to execute the trust had become incapable of continuing to execute it. Continuing the argument, it was said that the rescript of the King in which he censured the Archbishop of Manila and the governor of the islands for despoiling the properties of the College of San José and directed that it be returned to its former status under the will of Figueroa, the administrator to be appointed by the governor, was an assertion by the King of Spain carried into execution of his right in the exercise of his royal prerogative to control the management of the college independently of the archbishop or of the Catholic Church. It was said that the direction to the governor to appoint some ecclesiastic to control the college was not an admission by the King of his obligation to appoint a religious person to the control of the college, but only a conformity to the custom then universal of committing educational institutions to the control of members of the clerical profession, who were almost the only persons then capable of teaching, and that there is in the rescript itself an assertion of the right of the King to appoint a secular person, should such a person be suitable. This argument is enforced by reference to the action of the King in the decree of 1875, by which it was held, apparently with the consent of the ecclesiastical persons who were therein concerned, that the King had authority, by royal order, in view of the fact that the purpose of the founder of the college in furnishing a school for secondary education in morals and letters had become impossible, or rather profitless, because there were other schools which much better discharged these functions in Manila, to change by decree the purpose to which the funds should be devoted and allow them to be used for the conduct and maintenance of a professional school for the education of physicians and pharmacists. It is urged that the secular and nonsectarian character of the education in which the funds were thus devoted by order of the King is the strongest indication: First, that the original donation was regarded by those then in authority not as a religious and ecclesiastical charity, but only as a philanthropic one; and second, that the effect of the decrees was a final decision that the King might, in the exercise of prerogative, without consulting the head of the Church of Rome or any of his ministers, treat the foundation as one completely within his civil control. The argument for the church that all that the King of Spain did or attempted to do in the control of the college was because of his authority as patron of the college under the Papal bull conceding universal patronage in the Indies was met by the contention that ecclesiastical patronage was only the power of presenting a candidate for ecclesiastical benefices or for offices in a religious college, and did not include any control over the ecclesiastical trust funds or the right to call the official incumbents to an account, and did not embrace the right to change the purposes for which the funds should be used; that powers of this kind could only be exercised by the King as a civil sovereign and *parens patriæ*.

In reply to the argument for the church based on charter contract rights and principles laid down in the Dartmouth College case, the answer is made that they have no application to the controversy before us, for the reason: First, that it is difficult to find anything in the facts here analogous to the charter in that case, and even if the will could be so regarded, the provision that the college should be managed by the Jesuit provincial had become impossible of execution, for the reason that the person described had become incapable and the purpose profitless and impracticable. Reference is made to the decision of the Supreme Court of the United States in the Mormon Church case (136 U. S.), in which it was held that where a trust failed because of impossibility of execution the United States, as sovereign, had power as *parens patriæ* to supply a trustee and to order the application of the trust funds to a purpose analogous to that originally fixed in the deed of gift or charter.

Accordingly, here it was urged that as the status of the college at the time of the treaty of Paris was that of a foundation under the civil control of the sovereign of Spain as *parens patriæ*, the United States in the same capacity had the power to make any suitable provision for the conduct of the college as a school of medicine under any directory it might see fit, and the only suitable directory in a government in which the church was separate from the state was one free from ecclesiastic or monastic influence.

OPINION.

We have thus stated the arguments pro and con in this case as fairly as we could, condensing much and possibly in some instances suggesting additional arguments on each side which do not appear in the briefs. We are now to state our conclusions:

The treaty of Paris between Spain and the United States, by which these islands were ceded to the latter Government, provides in article 8, section 2:

That the relinquishment or cession, as the case may be, can not in any respect impair the property or rights which by law belong to the peaceful possession of property of all kinds, of provinces, municipalities, public or private establishments, ecclesiastical or civil bodies, or any other associations having legal capacity to acquire and possess property in the aforesaid territories, renounced or ceded, or of private individuals, of whatsoever nationality such individuals may be.

The same obligation would rest upon this Commission and the military government under the instructions of the President for the guidance of the Commission, and the question which must be decided finally to settle this controversy is: What was the status of the property and foundation of the College of San José at the time of the ratification of the treaty of Paris, by which the sovereignty over these islands was transferred from Spain to the United States, and under which the public property situate in these islands and the public civil trusts of the Government and Crown of Spain to be performed here were transferred to the Government of the United States?

It is conceivable that between the Crown of Spain and the head of the Roman Catholic Church there might have been a controversy as to the right of control and management by the Crown over certain property within the territorial jurisdiction of the Kingdom; but if the views of the Crown had been carried into effect by the usual

methods of settling rights according to the laws and customs of the existing sovereignty, and possession and control finally established thereby, it would seem that, so far as the United States is concerned, the controversy must be deemed to have been finally settled and not capable of being reopened under the new sovereignty, at least where sufficient time has elapsed to constitute the usual period of prescription. For instance, it could hardly be maintained that the pragmatic sanction, under which the properties of the Jesuit order in 1768 were confiscated and became the property of the Crown of Spain, could now be set aside on the ground that this was an arbitrary act and deprived the order of its property without due process of law. In other words, in a discussion like this, we must have a starting point, and that is the status of the property as settled by the lawful civil decrees of the government whose sovereignty is transferred by the treaty of cession.

It is difficult to escape the inference drawn by Lieutenant-Colonel Crowder from the decrees of 1870 that the Government of Spain then supposed it had the right to secularize the College of San José, but it is also true, as pointed out by the same gentleman in his very learned and able report on the subject, that the parts of the decree which implied this power were not enforced and were frustrated by the resistance of the ecclesiastical authorities in these islands; and the same is to be said of the decrees of 1875 and later years, except so far as it could be said to be a secularization of the properties and foundation of the college to make it a subordinate branch for the teaching of secular subjects in a university conducted by the Dominican order of monks under the ultimate authority of the Pope.

It is apparent from the arguments stated above that among the questions which will probably be of importance in the decision of the issue of this case is whether under the canon law the foundation here made in the will of Figueroa was an ecclesiastical pious work subject to the ultimate control of the Church of Rome; another is, whether the power exercised by the King over colleges under his protection to control them without the intervention of the archbishop was necessarily dependent upon the papal grant or was exercised by the Crown as its own without regard to the church. Another question not much mooted in the discussion before the Commission would probably come up for decision on this issue; and that is, whether the right of universal patronage of the Indies exercised by the Crown of Spain over such an institution as the College of San José finds its source in the bulls of the Pope in 1493, 1501, and 1508, which have already been referred to, or only finds recognition in those bulls of its existence, when in fact its real source was the right of discovery and sovereignty. This issue is one which has been the subject of profound discussion by learned canonists on the one side, upholding the view that the source of it was entirely ecclesiastical and papal, while on the other the contention of certain civilians, notably the fiscal of the royal audiencia of Cuba, D. Eduardo Alonzo y Colmenares, is that the principal and preeminent titles on which the Kings of Spain base the universal patronage of the Indies are those of discovery and conquest of the dominion and the foundation and endowment of the institution in question; and that the bulls are mere recognitions of a title already established. Another is whether, even if the United States may act as *parens patriæ*, its provision for a trustee and a purpose analogous to that of the founder should not

be limited to that of a trustee who is a priest of the same church as the founder and a purpose nearer to the aims of the Catholic Church than a merely secular professional school.

And doubtless other difficult questions not now considered may arise in a final argument of the case. In other words, in order to decide the merits of this case, we should probably have to consider and settle a nice question of canonical law, and investigate and discuss the historical and legal relations of the Crown of Spain to the head of the Catholic Church. Neither of these questions do we feel competent now to decide with the materials which are before us and with the time at our disposal, nor do we need to do so. We are not a court. We are only a legislative body. It is our expressly delegated function in just such cases as this to provide a means for the peaceful and just decision of the issues arising. Had we been able to decide clearly and emphatically that the petitioners had no rights here and that their claims were so flimsy as not to merit the assistance of the legislature in bringing them to adjudication in a court of justice, we might have properly dismissed the petition and taken no action thereon; but we are of opinion, all of us, that the contentions of the petitioners present serious and difficult questions of law, sufficiently doubtful to require that they should be decided by a learned and impartial court of competent jurisdiction, and that it is our duty to make legislative provision for testing the question. If it be true that the United States is either itself the trustee to administer these funds, or occupies the relation of *parens patriæ* to them, it becomes its duty to provide for their administration by a proper directory, whose first function will be to assert, in the name and authority of the United States, their right to administer the funds of the college against the adverse claims of the person now in charge, who claims to hold under and by virtue of the control over the funds by the Catholic Church; and this legislative action we now propose to take, not thereby intimating an opinion upon the merits of the case, but merely by this means setting in motion the proper machinery for the ultimate decision by a competent tribunal.

The military government, of which we are the legislature, is a provisional government; but for all this, pending its existence, it has the power to provide for the conservation of public property and the temporary carrying on of trusts with respect to which the sovereign is charged with any duty.

The only tribunal which we can provide for deciding this cause is a tribunal over which, by the instructions of the President, we must exercise the power of appointment. Lest, therefore, any opinion which we might intimate should be used by either side in the case to be argued and decided as authority in that tribunal, we have been careful to express no other definitive opinion than that the petitioners have presented a case of sufficient dignity and seriousness to warrant its full consideration by a court of justice. We think, moreover, as the United States occupies the relation of general trustee toward the public of the Philippines, in whose behalf the cause is here pressed, that it is not stepping beyond the bounds of impartiality for the commission to devote from the public funds a reasonable sum for the payment of the costs and expenses of the conduct of this litigation by the complainant and those whom he represents. He claims to represent the general public, and, should his petition be granted and

his case made, certainly the fund will be administered for the benefit of the general public. In the disturbed condition of the country, when private contributions are difficult to secure, when four years of war have made practically impossible donations for such a purpose sufficient to meet its requirements, it is right that from the public funds provision be made. We think the sum of \$5,000 in money of the United States is sufficient for this purpose, and we shall appropriate this amount accordingly to pay the expenses of getting the evidence, preparing the record, printing the briefs, and as fees for professional services. The fund will be enough in view of the provision which we expect to make that the petitioners may call upon the Attorney-General to assist in the prosecution of the case.

It is important that the issue be decided as soon as the proper consideration of so important a question in the due course of justice can be given to it by a competent tribunal. As the United States is practically a party to the litigation, we do not think it necessary to have resort to the ordinary tribunals of first instance. The case is of such signal importance that it may very well be heard by the Supreme Court originally, and we shall provide in the act authorizing the bringing of the suit the procedure to be followed, so as to secure an early hearing on the merits.

The procedure briefly stated will be as follows:

The trustees whom we shall appoint will file their declaration or petition in the Supreme Court, setting forth the legislation under which they act and their appointment, describing the properties of the College of San José, stating in a summary manner the history of the college under which they assert the power of the United States to provide control of the property, and praying a decree of the court directing the surrender by the rector of the University of Santo Tomas, in charge of the properties of the College of San José, to the petitioners. To the petition should be made parties, not only the rector of the university who has charge of the properties, but also the Archbishop of Manila or the Episcopal administrator of the diocese, the Apostolic delegate, as the representative of the Catholic Church, claiming an interest in the property. A summons shall then issue in the usual form, accompanied by a copy of the petition, and shall be served upon the rector of the university and the archbishop, and a return of said summons shall be made by the officer authorized by the court to serve the same within two weeks after it shall issue. The summons shall require that the parties defendant shall answer the petition within thirty days from the day fixed for the return of the service. Upon the filing of the answer in the supreme court, the petitioners shall have two weeks thereafter to file a reply to new matters set up in the answer by way of defense. New matters set up by way of reply shall be taken as denied without further pleading. After the cause shall be thus at issue and the evidence taken, the supreme court shall give precedence to the hearing of the same and shall set it for as early a date as possible consistent with the proper preparation of the arguments by the opposing parties. Should the court upon final hearing decide that the case of the petitioners is not made out upon law and the evidence, it shall dismiss the petition and award cost against the petitioners. Should the court, on the other hand, decide that the case of the petitioners is made out and that the trustees appointed by this commission are entitled to have possession

and control of the foundation and properties of the College of San José and that the Catholic Church, either through the rector of the university or through the archbishop, has no interest or right of control in said property for the purpose of carrying on a school of medicine and pharmacy, the court shall enter a decree finding the right of control and management to be in the trustees and directing the dispossession of the rector of the university of the properties of the College of San José, and decreeing an accounting against him of the rents and profits of the college during his incumbency as administrator of the College of San José which have not been expended in conducting the college or preserving its properties, allowing, however, a credit in such accounting of a reasonable sum for counsel fees and the expenses for the litigation by him incurred. The costs of the case shall not include the counsel fees on either side.

It is not at all unlikely that before the Congress which was elected in November last and which will meet in December next shall finally adjourn it will conclude to confer upon the Supreme Court of the United States jurisdiction to consider appeals from the supreme court of these islands. The present case, involving a construction of the Treaty of Paris and the effect upon public trusts of a transfer of sovereignty from a kingdom in which church and state were united, and one might almost say inextricably fused, to one in which church and state are kept entirely separate, is of such importance as to make most appropriate the submission of the issue to a court of the dignity, learning, ability, and commanding jurisdiction of the Supreme Court of the United States. This commission has no power to confer such jurisdiction upon that court, but it may make a legislative provision which shall prevent the decision of the supreme court of these islands from being so final in its character as to make it impossible for the Congress of the United States, after its rendition, to provide an appeal to the United States Supreme Court. The law to be passed will, therefore, enact that upon the entering of the decree by the supreme court of the islands it shall be immediately carried into effect. If against the petitioner, the petition shall be dismissed and the costs awarded collected; if against the defendants, and in favor of the petitioners, the decree shall be executed by a change of possession and control of the college and an accounting; but the decree shall not become final so as to prevent an appeal, by virtue of a provision of the Congress of the United States, to the Supreme Court of the United States, or some other tribunal, until the 4th of March, 1903.

There remains to be considered the question involved in the petition to the governor to rescind the order of General Otis suspending the conduct of the college under the rector of the University of St. Thomas. In view of the conclusion which we have reached that there is much to be said on the merits by both parties, it is clear to a demonstration that there is no reason for disturbing or interfering with the possessions of the party whose control and ownership is disputed until final decree. Without considering the wisdom or propriety of the order of General Otis, in view of the military necessity which was then said to be urgent, we are very clear that no such military necessity now exists. There is no evidence before us that the rector of the university and others in control of the funds and property are wasting them, and no reason has been shown for the appointment of a

receiver. The administration of the property by those selected by the Spanish Government may certainly continue for the short time pending the hearing of the case without serious detriment to anyone concerned. The arbitrary operation of an injunctive order made without a judicial hearing should be avoided if possible, especially where the issue is a doubtful one, and where judges and lawyers may conscientiously differ. Whether the professional education afforded under the management of those who are now in possession of the properties of the college is as advanced as it should be, or not, it is certainly better that the properties should be used for an educational purpose than that they should lie idle. We shall recommend to the military governor that the injunctive order against the opening of the College of San José by the rector of the university be rescinded.

Before closing, we must fix the number and state the names of the persons to act as trustees to conduct the litigation now about to be begun and to take charge of the college and its estates should the decision and decree of the court be in their favor. The first trustee will be the gentleman who thus far has borne the burden of the contest for those whom he represents, Dr. T. H. Pardo de Tavera. By appointing him or any other trustee who has manifested a zeal in the cause of the complainant we only do so in order that the question shall be energetically pushed to a settlement, and not thereby to indicate that the trustees represent our views on the issue. As the trustees, in a sense, will be asserting the validity of the exercise of power of the Government of the United States, it seems appropriate to make trustee Dr. Charles R. Greenleaf, colonel and chief surgeon, Division of the Philippines, in the United States Army. The third trustee will be Mr. Leon M. Guerrero; the fourth trustee, Manuel Gomez Martinez, M. D., and the fifth Frank S. Bourns, M. D.

There has been much popular and political interest in the controversy in which we have now stated our conclusions. The questions considered, however, have not had any political color at all. They have been purely questions of law and proper legal procedure, and so will they be in the court to which they are now sent. The decision of the right to control San José College can not legitimately be affected by the political feeling which one may have for or against the friars. It is unfortunate that the public should clothe the settlement of an issue purely legal with political significance when it ought not to have and does not have one. But, however this may be, those charged with settling it can pursue only one path, and that is the path of legal right as they see it.

The secretary will now read the bill, which has passed two readings of the Commission and which now comes up for a third reading and passage:

[No. 69.]

AN ACT providing a board of trustees to conduct the College of San José as a school of medicine and pharmacy, to bring an action against the persons now in possession of the property of the college, vesting the supreme court with jurisdiction to determine the controversy, and appropriating five thousand dollars to pay the expenses of the litigation.

By authority of the President of the United States, be it enacted by the United States Philippine Commission that—

SECTION 1. T. H. Pardo de Tavera, M. D., Charles R. Greenleaf, M. D., colonel and chief surgeon of the Division of the Philippines in the United States Army, Leon M. Guerrero, Manuel Gomez Martinez, M. D., and Frank S. Bourns, M. D.,

are hereby constituted a board of trustees to take possession of and manage the property and estates of the College of San José of the city of Manila, to maintain and conduct in the buildings of said college a school of medicine and pharmacy for the benefit of the qualified members of the public of the Philippine Islands, with power to determine the number of professorial chairs to be established, the number of instructors and demonstrators needed, to appoint professors constituting the faculty, to appoint the necessary instructors and demonstrators and other accessory officers and employés, to fix the curriculum, to fix reasonable tuition and other fees to be collected from the students, to determine the period of study necessary for the conferring of the degrees of doctor of medicine and doctor of pharmacy, and to take any other steps needed in the creation and maintenance of an efficient school of medicine and pharmacy for the Philippine people.

Sec. 2. The board hereby constituted shall organize within fourteen days after the passage of this act, shall elect a president and a secretary from its own members, and shall keep minutes of its proceedings.

Sec. 3. Whereas there is now in possession of the property and assets of the College of San José a person who is the rector of the University of Santo Tomás, a member of the Dominican Order, claiming to be in possession by virtue of the ultimate ownership and right of control of said property and estates by the Roman Catholic Church and denying the power of the United States Government either to assume control of said property or to make provision for the administration of the same, as in section one of this act, the board hereby constituted is required, in the discharge of its duties, first, to assert its claim to discharge its duties as imposed by this act in the due and ordinary legal procedure hereinafter set forth, and to take no steps to secure physical possession of the properties and estates of the College of San José until the issue between them and the rector of the University of Santo Tomás and the representatives of the Catholic Church shall have been duly decided by the court of competent jurisdiction as hereinafter prescribed.

Sec. 4. Within thirty days after the passage hereof the board herein constituted shall file its petition in the supreme court of the islands, setting forth the appointment of the board under this act, its powers and duties hereunder, its claim of right to the possession of the properties and estates of the College of San José for the purpose of discharging such duties, the fact that under a claim of right the property is held by the rector of the University of Santo Tomás, representing the ultimate control of the Roman Catholic Church, setting forth succinctly the history of the college and a statement of the facts upon which the right of the United States to provide for the administration of the college is asserted, and praying that the court shall enter a decree ousting the rector of the University of Santo Tomás, or any other minister or representative of the Roman Catholic Church, from possession of the properties and estates of said college, and placing the petitioners in possession thereof so as to enable them to discharge the duties imposed upon them by this act. The petition shall make party defendant thereto, not only the rector of the University of Santo Tomás, but also the archbishop of Manila or the archbishop of New Orleans, Apostolic Delegate, who in the absence of the archbishop of Manila from the Philippine Islands is the Episcopal administrator of the archiepiscopal province and of the bishopric of Manila, and shall require said archbishop as the representative of the Roman Catholic Church to set up its claim of ownership and right to control the properties and estates of the College of San José. Upon the filing of the petition a summons shall issue in the usual form against the rector of the University of Santo Tomás and the archbishop of Manila or the Episcopal administrator thereof, accompanied by a certified copy of the petition. A return of the service of such summons and copy upon the parties defendants shall be made within fifteen days after the issuing of the summons by an officer duly authorized to make the service. Within thirty days after the day fixed for the return of service, the defendants shall file their several answers or a joint answer, as they may elect, stating the facts upon which they deny the right and power of the United States to provide for the administration of said college and its estates and praying a dismissal of the petition at the costs of the petitioners. Within fifteen days after the filing of the answer or answers the petitioners shall have the right to file a reply to any new facts set up in the answer. New averments of the reply shall be considered as denied by the defendants. The cause shall then be at issue and no further pleadings shall be filed. After the cause shall be at issue, the petitioners shall have thirty days in which to take evidence in support of the averments of their petition; the defendants shall have forty-five

days in which to take evidence to sustain their answer or answers, and the petitioners fifteen days to take any necessary evidence in reply. The evidence shall be taken in a manner to be prescribed by the supreme court. Within seven days after the cause shall be at issue the parties shall appear before the supreme court and stipulate so far as possible what facts may be taken as agreed upon by all the parties in interest, so as to save the necessity for proof of the same by either party, and this stipulation shall be spread upon the records of the court. When the evidence shall have been submitted, the cause shall be given precedence in the supreme court, and shall be heard at as early a date as possible: *Provided, however,* That for good cause shown, the supreme court may in its discretion extend any of the periods hereinbefore fixed.

SEC. 5. The supreme court of the islands, including all its members, as it is now or may hereafter be constituted, is hereby given jurisdiction to hear the controversy above described and to follow the procedure above defined. After reaching a conclusion upon the issues made, it shall proceed to enter its decree. If it finds in favor of granting the prayer of the petition, it shall enter a decree ousting the defendants from possession of the properties and estates of the College of San José and awarding costs against the defendants, and requiring an accounting by the rector of the University of Santo Tomás of all moneys coming into his hands from such properties and estates, allowing him a credit for all money expended in the conduct of the college, the preservation of its properties and estates, and a credit for the reasonable expenses of defending the suit and costs awarded therein. Should the court find the issues in favor of the defendants, it shall enter a decree dismissing the petition and awarding costs against the petitioners. In no case shall the fees of attorneys, solicitors, or advocates of the successful party be included in the costs adjudged against the losing party.

SEC. 6. Upon the rendition of the decree by the supreme court in the suit hereinabove provided for, the decree shall be immediately executed. If the decree is for the petitioners, they shall be at once put in the possession of the properties and estates of the College of San José, without awaiting the result of the accounting in such case to be decreed, which shall then proceed in due course; if for the defendants, the petition shall be at once dismissed and an execution issue for the collection of the costs: *Provided, however,* That the decree entered shall not be so final in its character as to prevent the Congress of the United States on or before March 3, 1903, from making provision for an appeal from the decree entered by the supreme court under this act to the Supreme Court of the United States or any other court thereof.

SEC. 7. The sum of five thousand dollars (\$5,000) in money of the United States is hereby appropriated from any funds in the insular treasury not otherwise appropriated, to pay the costs and expenses of the board of trustees hereby appointed in the litigation herein provided for, including reasonable counsel fees. The money shall be disbursed by the disbursing officer of the commission upon the order of the board, after the money shall have been drawn out of the treasury upon the requisition of the disbursing officer in the manner provided by law. It shall be the duty of the attorney-general of the supreme court to appear as one of the counsel in support of the petition and he shall receive no additional compensation therefor.

SEC. 8. The trustees herein appointed shall hold office subject to the will of the commission. Should any vacancies exist or occur in the board by reason of nonacceptance of the appointment, resignation, or death, the same shall be filled by appointment by the commission.

SEC. 9. The public good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section 2 of "An act prescribing the order of procedure by the commission in the enactment of laws," passed September 26, 1900.

SEC. 10. This act shall take effect on its passage.

Enacted January 5, 1901.

OPINION OF THE ATTORNEY-GENERAL OF THE PHILIPPINE ISLANDS AS TO THE HOSPICIO DE SAN JOSE.

ST. JOSEPH ASYLUM—HISTORY OF FOUNDATION AND MANAGEMENT—PRESENT LEGAL STATUS.

The Asylum of St. Joseph was founded by virtue of a royal order dated December 27, 1806. The first funds of the asylum were derived from donations and bequests. A royal order, dated May 27, 1828, provided that the funds of the former battalion of Mestizos should be applied to said asylum. These funds being still insufficient, the governor of the islands, on June 25, 1829, decreed the levying, for the benefit of the asylum, of a tax of 1½ per cent on rice exported by foreigners or natives on foreign vessels or for foreign ports.

The superior board of finance, by resolution passed October 29, 1829, assigned to the St. Joseph Asylum, out of the funds of *Cajas de Comunidad* the sum of \$1,000 per annum. This resolution was approved by a royal order October 29, 1831.

On February 5, 1858, the governor-general issued a decree whereby \$15,000 were appropriated for said asylum.

On July 13, 1865, the governor-general decreed an increase of the annual assignment of \$15,000, received by the asylum, to \$25,000.

The management of the institution has always been in the hands of a managing board under the control of the governor-general. The control and management of the asylum was thus exercised by the Spanish Government until the termination of Spanish sovereignty, when the Archbishop of Manila assumed it. *Held:*

That the St. Joseph Asylum was founded by royal order of the Spanish Government and supported by government funds; that it was the property of that Government and is now the property of the United States Government in the Philippines by virtue of the treaty of Paris.

DEPARTMENT OF JUSTICE, *March 12, 1902.*

SIRS: As a result of the investigation made by this office in the matter of the Asylum of St. Joseph, I have the honor to submit herewith a historical narration of the foundation and subsequent transformations and changes of said institution until the termination of Spanish sovereignty in the islands.

This asylum was founded by virtue of a royal order of December 27, 1806, for the purpose of providing shelter and means of living for unfortunate people who, through sickness or other causes, were unable to work. The first funds of the asylum with which its expenses were met were derived from donations and bequests; these funds, by being invested in the business of drafts on America, were increased to such an extent that they exceeded the business of the establishment. On account of the emancipation of the Spanish-American colonies these transactions were discontinued, and the funds of the institution were thereby considerably diminished, so that it became necessary to reduce the number of its inmates and to lease a part of the building.

In view of this distressing situation a royal order, dated May 27, 1828, was issued, which provided that the funds of the former battalion of Mestizos should be applied to the use of the St. Joseph Asylum. The funds still being insufficient, the governor of the islands, on June 25, 1829, decreed the levying, for the benefit of the asylum, of a tax of $1\frac{1}{2}$ per cent on rice exported by foreigners or natives on foreign vessels or for foreign ports. The superior board of finance, by a resolution passed October 29, 1829, assigned to the St. Joseph Asylum out of the funds of *Cajas de Comunidad* the sum of \$1,000 per annum. This resolution was approved by a royal order of October 29, 1831.

On February 5, 1858, in order to meet the expenses consequent upon the project for the improvement and enlargement of the institution, the governor-general of the islands, D. Fernando Norzagaray, issued a decree whereby \$15,000 from the *Caja Central de Arbitrios* remaining in the general treasury were appropriated for the St. Joseph Asylum. This decree was approved by a royal order of September 12, 1881.

Upon the motion of the same governor, the project which had existed for a long time for enlarging and improving the asylum was carried out and a new building was erected at the expense of the government.

On July 13, 1865, the governor-general decreed the increase to \$25,000 of the annual assignment of \$15,000 received by the asylum. This decree was ratified March 20, 1888, and approved by the Government of Spain by a royal order of December 17, 1889.

The management of the institution has always been in the hands of a managing board under the control of the governor-general. The chief justice of the supreme court was president ex officio of the board. According to the regulations, approved by a royal order of January 9, 1861, for the government of the institution, the management and control thereof is vested in a board composed of the governor-general, protector; the chief justice of the supreme court, president; two dignitaries of the Catholic Church, appointed by the protector upon the recommendation of the archbishop, of whom the senior, in office or in age, is vice-president; two members of the municipal council, appointed likewise by the protector upon the recommendation of the president of the council; and six gentlemen of good standing in the community and of pious feelings whom the protector may deem proper to appoint. By a royal order of October 6, 1892, it was provided that the presidency of the managing board of the asylum should be held by the provincial of one of the four religious orders established in the islands in place of the chief justice of the supreme court. By virtue of this order the provincial of the Order of St. Augustin was appointed president.

The regimen of the establishment is vested in a director appointed by the governor-general upon the recommendation of the managing board.

The control and management of the St. Joseph Asylum was thus exercised by the government until the termination of the Spanish sovereignty in the islands. Thereupon the Archbishop of Manila assumed control, and it was he who appointed the members of the present managing board as substitutes for those who held the position

formerly. He also appointed the present director of the establishment.

The present board is composed of the prior of the Order of St. Augustin, president; Don José Chouza, parochial priest of the walled city, vice-president; Don Trinidad Jurado, Doctor Doneland, Don Rafael Reyes, Don José de la Rosa, Don Julian la O, and Don Blás Alcuáz, members; Don Manuel Rincon, secretary; Don Emilio Borrero, director.

As a result of the investigation made, I am of the opinion that the St. Joseph Asylum, founded by a royal order of the Spanish Government and supported by government funds, was the property of the Spanish Government, and is now that of the United States Government in the Philippine Islands by virtue of the treaty of Paris. The right of the Government to control and manage the St. Joseph Asylum is therefore beyond question.

Very respectfully,

L. R. WILFLEY.

The UNITED STATES PHILIPPINE COMMISSION.

OPINION OF THE ATTORNEY-GENERAL OF THE PHILIPPINE ISLANDS AS TO THE HOSPITAL OF SAN JUAN DE DIOS.

HOSPITAL OF SAN JUAN DE DIOS—ADMINISTRATION.

In 1577 a Franciscan monk, Juan Clemente, obtained permission from the King of Spain to found a hospital, and solicited contributions from the public to carry out the project. It is not known how the institution came into possession of the land occupied by it. For the purpose of assisting the Franciscan Friars, who it seems were the administrators of the hospital, there was founded, about the year 1590, a society called the "Brotherhood of Mercy." The hospital was destroyed in 1603 and the land was ceded to the Brotherhood of Mercy, who erected a new building. This building was demolished in 1653 and the property of the hospital was ceded to the Friars of San Juan de Dios, who continued in the administration of the hospital until the year 1866. The buildings of the hospital were destroyed in 1863, and the finances of the institution being heavily encumbered, the government assumed control of the administration. *Held:*

That in its origin the hospital was a public charity, and the Friars of San Juan de Dios entered into the administration not as owners, but simply as administrators subject to the patronage of the King.

That the laws governing institutions of charity in force in Spain, if not extended to the Philippine Islands by implication, were at all events made applicable by the Civil Code of 1889. Under these laws the royal patronage, including administration, extended to the hospital in question.

That the action of the King in taking over the administration of the hospital in 1866 was for the purpose of preventing a failure of the purposes of the foundation; protests against this action, if any were to be made, should have been made then, and the public, after a use extending over nearly forty years, can not in equity be ousted from a possession reared and protected by the State.

That the administration of the Hospital of San Juan de Dios now pertains to the United States as the successor of the Spanish Government.

DEPARTMENT OF JUSTICE, *May 10, 1902.*

SIR: I have the honor to return the papers in the case of the San Juan de Dios Hospital and to submit the following opinion upon the question raised:

The facts in the case are as follows:

In 1577 a Franciscan monk named Juan Clemente, noted for his learning and charity, obtained permission from his superiors and license from the King to found a hospital, and immediately solicited contributions from the public to carry out his project. It is not known how the institution came into possession of the land, there being no further record than that Fernandez—

filled in the large site occupied by the hospital.

In answer to an inquiry made by the governor-general in 1889 the administrator wrote:

In the archives of the board of administration of pious works no information exists in reference to the conditions under which the hospital of San Juan de Dios of this capital possesses the land upon which it is situated.

In the absence of title deeds or grants it must be assumed that the land belongs to the State.

The hospital was destroyed by fire in 1583 and rebuilt with funds contributed by the public. In 1590 one Juan Fernandez actively associated himself with the management, building a hall at his own expense and soliciting alms for its maintenance. For the purpose of assisting the Franciscan Friars, who it seems were the administrators, there was founded about this time a society called the Brotherhood of Mercy, composed of the leading citizens of Manila, and of which the ecclesiastical governor was elected president.

After the second destruction of the hospital, in 1603, the land was ceded to the Brotherhood of Mercy, who erected a new building, to which they gave the name of "Hospital de la Santa Misericordia." This transfer was made with the consent of the King, the Franciscan Friars retaining the spiritual control of the establishment.

The earthquake of 1655 demolished the building, leaving only the one hall standing. This unfortunate occurrence completely paralyzed the finances of the brotherhood, and finding it impossible to continue the administration, it was resolved to cede the hospital to the friars of San Juan de Dios. This was done in a public writing dated May 31, 1656, which was approved by the King in 1659.

It may be noted here that the possession of the friars of San Juan de Dios was subject to the *Leyes de Indias* (lib. 1, Tit. IV, ley 5, p. 15), which, among other things, provides:

It is understood that of the hospitals which they (the friars of San Juan de Dios) administer they are not the owners, neither of their incomes nor of their contributions, but simply the administrators and assistants.

In addition to this, the Brotherhood of Mercy reserved the patronage of the hospital, except that exercised by the King, and as such patrons could visit the institution once a year.

Again, the hospital was built from alms begged from door to door, and the patrimony of the poor sick was so increased that the affairs of the institution were very prosperous until the beginning of the nineteenth century.

The friars then became very immoral and corrupt, though as to the exact nature of their misconduct we are not informed. The mismanagement of the trust became so notorious that in 1852 the Crown decided to suppress the order.

The year 1866 saw a complete failure of the trust. The earthquake of 1863 totally destroyed the buildings; the possessions of the estate were burdened with leonine contracts and immense debts. It was then that the Government assumed control of the administration.

In August, 1866, the governor-general issued an order expelling the friars of San Juan de Dios and turning the administration over to a board of civilians whose president was the president of the *audiencia*. The order further recited that the hospital should become a civil institution, and that ecclesiastical visits should cease.

The real Hospital of San Juan de Dios dates from this time. Had the estate been wound up in 1866 the assets would have fallen far short of the liabilities. Indeed, it was not certain that the board would succeed in reviving it. It was only through the charity of the citizens of Manila, by organizing charity bazaars, that sufficient money was raised to build the new hospital and to save the estate from bankruptcy.

Until the occupation of Manila by the United States the hospital continued to be administered as a civil institution under the direct supervision of the governor-general. The only change made in the board was in 1891, when, on account of the work devolving upon the president of the *audiencia*, the presidency was transferred to representatives of the four leading religious orders, said representatives being named by the governor-general. (Royal order, Oct. 6, 1891.) These appointments were civil, and the remainder of the personnel of the board remained as it had been.

We are called upon to determine the nature and the limits of control which may be exercised by the government of the Philippine Islands over the Hospital of San Juan de Dios. The law upon the subject is so intimately connected with the status of the Catholic Church in Spain that an examination of the latter is essential. Although the relationship between church and state was continually varying, yet certain terms used by writers and legislators expressive of the relationship remained unchanged. Prominent among these are *obra pia* and *patronato*. The retention of these names caused much confusion. Spanish writers in analyzing the respective powers of church and state have failed to distinguish between the former meanings of the terms and their present sense. This I shall show as I proceed.

In the history of Spain the church has passed through three stages, sharply defined both in point of time and in the conception which was entertained of it. For convenience I shall designate these the *ultramontana*, the *reglista*, and the corporate periods.

The ultramontana period.—This extended from the beginning of the national history of Spain—i. e., from the expulsion of the Moors—to about the middle of the sixteenth century. Its legal expression is the *Siete Partidas*. The church was all-powerful, and, in its last analysis, was a temporal power dominating the Government of Spain. It is therefore natural that we find canonical law imposed upon the people as a civil obligation; that the first *Partida* is nothing more than a digest of canon law which Alfonso introduced into Spain to obtain the support of the Pope to his pretensions to the Imperial throne of Germany. (Schmidt's Civil Law of Spain, p. 68.)

The church not only possessed houses of worship and monasteries, but also all the schools, hospitals, maternity houses, and all charitable institutions. These were regarded as *obras pias*. All questions relating to them were determined by ecclesiastical courts. The *Partidas*, borrowing from the Roman law, declared that religious houses, monasteries, and churches are sacred and that hospitals are religious property. (*Partidas* 1, Tit. XII, ley 1.) Further, that the above institutions must obey the bishops. (*Ibid.*, ley 2.) Sacred places can not be turned from the service of God to the service of man. (*Ibid.*, ley 3.) The ground upon which sacred edifices are constructed shall forever remain sacred. (*Partidas* 3, Tit. XXVIII, ley 13.)

Since the above-named institutions were *obras pias*, or ecclesiastical property, it follows that the right of patronage in them was also an ecclesiastical right. But it does not follow that this right was born of ecclesiastical law. The *partidas* informs us that patronage means "father of a charge;" that patronage is gained by

providing a location for a church, by constructing one, and by inheriting the right. (Partida 1, Tit. XV, ley 1.) It included the right of presentation and a place in church processions.

The *partidas* do not treat of what is known to-day as the royal patronage. It nevertheless existed. Alfonso, in Alcala, promulgated a law in 1328 which declares that according to ancient custom in Spain the Kings of Castile must approve the elections of bishops and prelates, because the Kings are the patrons of the churches, and that said bishops and prelates, before taking possession, must do reverence to the King. Jovellanes points out that the right had been established in Leon, Castile, Toledo, and Seville from very early times, and that the *partidas*, instead of preserving these, merely transcribes the ultramontana maxims of Braciano. (3 Alcubilla Diccionario de Administración, 814.)

Charitable institutions, therefore, during this period occupied substantially the same position as churches and were governed independently of the civil authority.

The royal patronage, if it existed at all, must have been ecclesiastical, since by law the control of these institutions was vested in the Pope.

The source from which the patronage was derived, whether civil or ecclesiastical, was not determined, the power of the church being so great as to silence discussion of it. In a word, the temporal power was spiritualized.

The Regalistas period extended from the time of the council of Trent to the French Revolution. Ultramontanian theories could not be otherwise than obnoxious to Spaniards. Jovellanes relates that the Cortes of Valladolid in 1345, of Guadalajara in 1390, of Valladolid in 1523, of Seville in 1532, and of Madrid in 1534 opposed the laws by which the church was enabled to control so vast a property. (3 Alcubilla Diccionario de Administración, 814.)

In 1480 Fernando and Isabel scored their predecessors who had given away their prerogatives, and reclaimed them with insistence. (Novísima Recopilación, lib. Tit. XVII, ley 5.)

Carlos I of Toledo in 1525 claimed the patronage as an immemorial prerogative. (Ibid., ley 6.)

The real source of the difficulty was but vaguely understood. The church figured not only as an exclusively religious institution, but it was also political and administrative. As a political institution it occupied a seat in the Cortes. In its administrative capacity it created universities, schools, and libraries. (Report of Minister of Justice, 2 Alcubilla Diccionario de Administración, 882.)

Instead of separating what was religious property from civil; instead of confining the church to its proper sphere and converting universities, schools, and hospitals into civil institutions, the Regalistas attacked the problem from another side. The properties of the church were still termed *obras pias*, or *piezas eclesiasticas*, and were perhaps regarded as sacred, and therefore within the sole jurisdiction of the church. But the church itself came to be regarded as a political or civil institution, and its chief, so far as the management of its temporalities was concerned, and even intrrenching upon its spiritual administration, was the King of Spain.

The meaning of patronage became very much broadened. The Crown, in governing the church, and, through it, the *obras pias*, did it

as royal patron. As patronage originally meant only the power of presentment to benefices this extension of meaning was necessary. We see the word "protector" used in the law, and the phrase "patron or protector." A flood of literature spread over the country having for its object the determination of whether the patronage belonged to the King by virtue of endowing the obras pias, and therefore was a civil right, or whether it was a concession from the Pope and the King was merely a papal delegate.

The concordat of 1737 left the question of patronage open. From 1737 to 1753 each side argued its position with heat. Another question arose. The King claimed that not only did the patronage belong to him, but that all questions relating to patronage could be determined only by his council acting as a court.

The concordat of 1753 recognized the King's title to the patronage, but declared that he could not interfere in purely spiritual matters.

On September 6, 1770, the King and the council promulgated an order for the preservation of the prerogatives of the Crown and the nation in matters taught in the universities. This law was the result of an attack made by Miguel de Ochoa, of the University of Madrid, upon the civil authority. The document was turned over to the bar association for answer, and their reply is incorporated in the law. Extracts from the report follow:

How is the origin of the patronage of the churches in the temporal power? Thus noted authorities have argued, and with reason. (35 Revista de Legislación y Jurisprudencia, p. 82.)

In order to prevent confusion it is necessary to divide ecclesiastical causes into two classes. The first is that in which the King only tries to preserve the state from insults and innovations which disturb the peace. In this are included all forceful measures, such as the examination of bulls, laws of discipline, those of new tithes, the special protection over religious and ecclesiastical associations of the Kingdom, the expulsion of ecclesiastics, etc. This essentially constitutes sovereignty. We conclude this prerogative is a necessary defense of the temporal state, and does not emanate from the church. (Ibid., 107.)

The second class consists of those rights which, being now prerogatives, owe their origin to a generous but most just reward of the church, such as *tercias*, *diezmos*, *patronatos*. It is a maxim of law and natural reasoning that the author of a donation can qualify it with restraining conditions, or can amplify it, and as it has been an undeniable practice of the King to exercise jurisdiction in these cases, it appears not repugnant to say that said jurisdiction came from the same source as the donation itself.

Diezmos, *tercias*, *patronato*, and other rights coming from the church at the moment they passed to the Crown became profane, because what is called spiritual in these rights is an intrinsic quality arising from the end which they accomplish. Being profane, the royal jurisdiction, which essentially embraces all the temporal, necessarily includes it. (Ibid., 109.)

We prohibit from now on instruction in the universities in question directed against the royal authority and prerogatives. For this purpose the university will note the contents of the report of the bar association. (Ibid., 128.)

The corporation period extends from the French Revolution to the present day. The report of the minister of justice admirably describes the reasons for the change:

The great principles proclaimed by the French constitutional assembly of 1789, and later on accepted enthusiastically by other modern nations, destroyed the foundations of the old states by showing the attributes which correspond to each one of the great social institutions. The civil power had to claim its natural attributes, which, in part, had been exercised until then by the church, and the latter in consequence of this was obliged to renounce the privileges which it had acquired, in this way losing its character as a political and administrative institution. Its personality under these two aspects having disappeared,

it no longer required the great property which it had employed to realize the ends which from this time on came under the jurisdiction of the state. (Report of minister of justice, 2 Alcubilla Diccionario de Administración, p. 882.)

Again:

Laical institutions and public beneficences have ceased to be ecclesiastical functions and are now covered by civil funds; therefore the church does not need property for this object. These institutions of charity had been taken away from the church, and the latter was never indemnified for the expropriation, on the ground that "the nation, therefore, owes it an indemnification equal to the value of the property necessary for these (religious) purposes, but not for the remainder of its patrimony, which it devoted to political and administrative purposes. It would not be just that the nation should burden itself doubly for the same expenses." (Ibid., p. 883.)

In this era leading up to the definitive provisions of the Civil Code of 1889 were enacted laws of *beneficencia* and *desamortizacion*. The latter separated the church from a great portion of its property and the former organized that part of it which was devoted to charity under a new theory. Instead of being divided into ecclesiastical and laical institutions, they became public and private. No distinction was made between those owned by the church and other corporations. They were still called *obras pias*, but not *piezas eclesiasticas*, the latter term simply meaning property owned by the church as a corporation.

A reference to Spanish law will sustain this position.

The first decisive blow was struck in 1820 by the law of mortmain. It provides:

Nelther churches, monasteries, convents, nor any ecclesiastical associations whatsoever, whether secular or regular, hospitals, orphans' homes, houses of charity and instruction brotherhoods, and other establishments, whether ecclesiastical or laical, or known under the name of *manos muertas*, shall from this day be allowed to acquire any property or estates in any province of the monarchy, either by will or by donation, purchase, transfer, mortgage, pledge, or by any other title whatsoever.

Previously (September 19, 1798) Charles IV decreed that all estates belonging to hospitals, etc., should be sold.

In 1835 the law of *disamortization* declared the law of 1820 to be in full force and effect. Upon the heels of this law came the law of charity (1822) providing for the new order of things. It provided that the funds of all foundations, *obras pias*, or ecclesiastical, whatever their origin, should be reduced to one class; that is, that of institutions for relieving necessities named in the law; further, that all hospitals, etc., shall be under the direction and superintendence of the municipal councils; that all eleemosynary institutions, of whatever class or denomination, be included in the law, and that those not specifically mentioned be suppressed; that the ancient custom of electing nobles or ecclesiastics only to the board of administration be discontinued.

The law of 1841 declared that all property of the secular clergy, whatever its origin, should become property of the nation; only those devoted to public beneficence are excepted.

In 1845 arose the question whether municipal boards had the power to intervene in the accounts of ecclesiastical foundations. The Queen decreed that the superior administrative authority corresponded to the protectorate of all establishments, including those of collective

interests. This shows that the obras pias belonging to ecclesiastics were treated as others, the only question being whether the institution was public or private.

In 1845 the property of the secular clergy not sold was given back.

The law of 1849 declared all charitable institutions public except those supported exclusively out of private funds, provided they accomplish the object of their foundation.

Various other laws of mortmain were passed which incensed the clergy. In 1859 an agreement was reached between the Pope and the Queen. It provided that in the future there should be no sale, exchange, or confiscation of church lands without the consent of the Holy See; that certain lands were to be sold and the proceeds invested in public securities; that the church shall have the right to acquire property and that their right shall be solemnly respected, and therefore the old and new ecclesiastical foundations can not be suppressed without the authority of the Holy See; further, that those who have bought ecclesiastical property under the civil laws, and their successors, should not be molested by the Pope; that all the remaining property provided for in the agreement belonging to ecclesiastical persons or things should be directed and administered according to the discipline of the church.

The construction of this law is clearly indicated by later acts. The King decreed that all monasteries, convents, congregations, and other religious houses of both sexes founded in the Peninsula and adjacent islands since July 29, 1837, be suppressed and that their property should become the property of the state. Exceptions were made of the Sisters of Charity, the escuelas pias, and several other societies dedicated to charity and instruction. "As is seen," says Scaevola, "the church in general has the power to acquire and to possess property of any class, but not so the religious communities." (1 Scaevola *Codigo Civil*, p. 343.)

Still more strikingly does the civil code evidence the theory that property rights come from the sovereign as the result of the statutes of mortmain. I quote again from Scaevola's Commentaries on the Civil Code:

SEC. 35. The following are judicial persons: First. Corporations, associations, and foundations of public interest recognized by law.

Comments. * * * Those entities are called corporations in which there exists an equilibrium among the members; those are associations in which the individual interest predominates over the collective interest; those are foundations in which the individual interests completely disappear, and, on the contrary, the beneficiaries absorb it entirely; for example, a hospital, a school. (1 Scaevola, *Codigo Civil*, p. 316.)

SEC. 38. Juridical persons may acquire and possess property of all classes and also contract obligations, institute criminal or civil action in conformity with the laws and rules of their institution. The church will be guided in this regard by what has been agreed between both powers, and the establishments of instruction and charity by what the special laws provide.

Taking into consideration these words, it appears that in order to determine the capacity of the divers collective persons to whom we refer, it ought to be sufficient to examine the law, and yet it is not so. Besides the particular laws which govern the life of the divers entities there exist others of a general character whose object is rather political than civil, which it is necessary to keep in mind—the Statutes of Disentail and Disamortization. (1 Scaevola, *Codigo Civil*, p. 319.)

It remains only to call attention to the various acts relating to charities. Time and again the Government asserted its protectorate over eleemosynary institutions. (See Royal order, Mar. 25, 1846;

Sept. 28, 1846; the law of June 20, 1849, art. 11, par. 5; regulations of May 14, 1852, tit. 2, art. 29.)

The royal order of October 12, 1860, declares that institutions of beneficence belonging to brotherhoods, etc., are classed as private.

The dean of the Holy Cathedral of Seville requested a decision as to whether the *patronatos* which he administered came within the law of the protectorate. The Government replied, expressing its displeasure at the petition as tending to deny the right of inspection and supreme protectorate of the Government over patrons and administrators of establishments of charity, foundations of a charitable character, and obras pias. (Order, Aug. 23, 1869.)

The question arose in 1871 as to whether a foundation for redemption of captives and for endowing those who wished to take orders came under the laws of beneficencia. The Government says that the word "beneficencia," derived from "benefacere," indicates an institution of charity, whatever be the means employed to succor the unfortunate. (Royal order, Apr. 20, 1871.)

An important act is that of April 27, 1875. Some of its leading provisions are:

ART. 3. Charitable institutions denominated "general," those of patronage of the Government or its delegates and agents, shall be entrusted to a board of patrons.

* * * * *

TIT. 1, ART. 1. Those establishments belong to beneficencia general which are classified under this character in the manner provided by law.

ART. 2. Private beneficence comprehends all those institutions created and endowed from private funds and whose patronage and administrators are regulated by their respective founders, or in their name, or confided to corporations, authorities, or determined persons.

ART. 3. Every private institution will acquire the character of public if entrusted by foundation to a patron de oficio and the office has been suppressed.

* * * * *

ART. 5. Institutions of charity are establishments or permanent associations devoted to gratuitous satisfaction of intellectual or physical necessities, as maternity houses, schools, colleges, hospitals, and other analogous institutions, and also foundations without permanent character, known as *patronatos*, *memorias*, *legados*, *obras y casas pias*. * * *

ART. 7. To the Government pertains the patronage of all charitable institutions which affect undetermined collectives and which therefore need it.

ART. 8. * * * In public establishments the action of the Government will have no other limits than imposed by law.

* * * * *

ART. 10. The Government reserves the right to approve the constitutions and regulations of foundations of its patronage, etc.

ART. 11. The minister of state shall have power to create, suppress foundations, modify them in harmony with new social conditions, etc.

Sections 31 and 32 relate to the power of the board of patrons to whom the Government confides the administration of establishments which by law or foundation are of its patronage. The board can make suitable laws of management (to be approved by the Government), prescribe salaries of employees, have the direction and administration of establishments complying with the prescriptions of law and foundation, etc.

Section 32 is devoted to the protectorate exercised by the Government over private patrons.

The result of this legislation, in a word, was that proprietary rights, instead of being determined by the character of the property, were determined by ordinary titles of civil law. An *obra pia* belonged to the individual who had title to it and was not under control of the church on account of any intrinsic quality. In the fifteenth century *obra pia* meant substantially church property, but in the nineteenth it means any work devoted to either religion or charity. This is clearly deduced from the laws quoted.

Patronage then resolves itself. If of ecclesiastical property, it may be ecclesiastical, but if of temporal, it must be temporal. The law of 1855 shows that Government patronage of charitable institutions includes administration and that public charities are of Government patronage; while of private charities of private patronage the Government exercises a supervision or protectorate which corresponds exactly to our concept of *parens patriæ*.

The questions arise as to what powers the Government would have over a hospital owned by the church. The church, according to the civil code, should be governed by what has been agreed between both powers. But this agreement is merely to the effect that the church shall be respected in its property rights. It does not mean that its hospitals would not come under the general laws of charities. An analogous case would be that of a factory owned by the church and being subject to the general factory laws—for example, of child labor. Otherwise, the church could place at naught many essential laws. That this was the attitude of the Government of Spain is apparent from the decision in the case of the dean of the Cathedral of Seville, *supra*.

Nor would the patronage of such a hospital be an ecclesiastical patronage. The latter term, as defined by the council of Trent, relates merely to presentments, but the law of 1875 in unmistakable terms shows that the Government patronage is of protectorship as well as of administration, the latter being delegated in order to allow a free exercise of the former. In exercising this protectorship the Government has sometimes signed itself as patron and at others as protector.

The protectorate is the superintendence and tutelage which the Government exercises—scrutinizing the acts of the patrons, taking care that the will of the founders be accomplished, and interpreting and supplying it in necessary cases. The Government, besides exercising the general functions of the protectorate, has also the special ones of the patronage in those establishments which it has founded or which has been conferred upon it by private individuals or with which it is charged by reason of the foundation being bereft of representation. In such cases it gives the patronage in charge of special committees in order to make free the power which it reserves to itself over these committees. (*Derecho Administrativo Santa Maria, 403.*)

That the protectorship is a temporal power needs no defense, it being one of these prerogatives without which there can be no sovereignty. Under the civil code the religious corporations are separated from the church. They are not within the provision of the concordats, as is proved by the confiscation of much of their property in 1868. If they own hospitals, it is simply as any other private corporation, and upon their dissolution or suppression the property becomes property of public beneficence and does not, according to the laws of charity, pass to the church. The supreme court of Spain

decided that an estate left in charge of prelates who were its patrons and administrators was a private institution of beneficence, the said patrons not having been suppressed. (*Gaceta Oficial*, 1866, p. 24.)

We come now to the discussion of the application of the above jurisprudence to the Philippines. It is provided by the laws of the Indies that in cases where there is no law on the subject in the Philippines the laws of Castile must be observed. (*Recopilación de Indias*, book 2, Tit. I, leyes 1, 2.)

The declaration of the King of Spain in regard to the royal patronage of the Indies, found in the laws of the Indies, which provides that the patronage of the King shall extend over all hospitals built in the Philippines, was promulgated during what we have termed the period of the regalistas. It will be remembered that at this time charitable institutions were regarded as religious places and their administration was intrusted to the clergy, but that the Crown specifically declared that the patronage was a civil prerogative, and that virtually the church was nothing more than a part of the administrative machinery of the state. In spite of the fact that the laws of mortmain were not extended to the Philippines, and it was so declared, yet we can not conceive how the theory of charity and charitable institutions which had undergone such an immense change in Spain could not have become affected as applied to the Philippines. That the influence of the corporation period was potent in the Philippines may be gathered from a reference to the works of San Pedro, which classify all the hospitals in the Philippines under the head of *beneficencia*. In 1880 the governor-general appointed a committee on charity, consisting of the charitably disposed women of Manila, for the purpose of collecting funds especially for the San Juan de Dios Hospital, and for all other institutions of charity. All doubts, however, are resolved by the civil code of 1889. Its provision that institutions of charity shall be governed by what the special laws upon the subject provide of itself extends all the laws of charity of Spain to the island. If it does not, the meaning of the said section would not be clear; in fact, it would have no meaning at all. Scaevola, quoted above, distinctly makes this statement:

On no other theory can we account for the legislation, especially with reference to the hospital in question, of the last forty years.

Specifically applying these laws to the Hospital of San Juan de Dios, I conclude that during the sixteenth and seventeenth centuries it was nothing more than a public charity, administered by the clergy, because customarily all charities were so administered. It was undoubtedly termed *obra pia*, and still is classed as such. I have shown, however, that this classification in no wise determines proprietary rights. The Laws of the Indies (book 1, Title IV, law 5, par. 15), quoted above, conclusively show that the friars of San Juan de Dios entered into the administration of the hospital not as owners but simply as administrators. The order of 1866 was therefore not an exercise of arbitrary power. The laws of charity contained many provisions by which private institutions (if this can be considered as a private institution) will acquire the character of public institutions, among them being a failure of the trust, or a failure of administration, or a lack of funds. In 1866 there really was no hospital, the buildings having been destroyed and the properties of the friars heavily mortgaged. The estates were not sufficient to cover the in-

debtedness of the foundation. It was not only just, but necessary, that the King should take over the administration of the hospital in order to accomplish the will of the founder. The matter may be treated as *res adjudicata*. Protests, if any were to be made, should have been made in 1866. The public, after a use extending over nearly forty years, can not in equity or good conscience be ousted from a possession reared and protected by the state, even though the stand taken by the King was unjust; for it is evident that the injustice of such a course would be far greater than would have been the latter.

. The action of the King effectually disposes of any plea on the part of the church that the institution was an ecclesiastical *obra pia*, for it is impossible to go behind the King's order, and whatever may have been the nature of the foundation before 1866 there can be no doubt as to the intention of the King in the order quoted. The document is also valuable in that it is an interpretation by the highest court of the land of the doctrine of patronage. It proves that the deductions which we have made from the general legislation of Spain that the patronage, as applied to hospitals, whatever it may have meant two centuries ago, to-day means nothing more than protectorship and administration, is correct. Having declared the hospital to be civil, the monarch signed all acts relating to it as patron, thereby showing that he considered the patronage to be civil. In 1874 the hospital is specifically denominated the Civil Hospital of San Juan de Dios, showing that the hitherto signed acts as patron did not, in the mind of the sovereign, change the character of the institution.

Further proof is found in the royal order of 1883:

The patronage extends to everything that is not purely spiritual.

In 1889 General Weyler, then governor-general of the Philippines, in a general order relating to the management of hospitals, declared the Government to be the patron or protector of charitable institutions. The concordat of 1753 and those following, recognized the protectorship as being a strictly temporal prerogative of the King, so that if the patronage as used in the Philippines was a protectorate, it could possess nothing of the spiritual and could not, therefore, be derived from the Pope. The fact is that the action of the King was analogous to that taken by the United States in the *Mormon Church case* (136 U. S., 1) and was, whatever the name by which it was called, purely an act in the exercise of the prerogative of *parens patriæ*.

The court will look at the nature of the acts to determine the prerogatives under which they were exercised, and not the names under which action was taken.

I conclude that the hospital is a foundation, as known under the civil code, and that by reason of the laws of charity having been extended by implication to the Philippines, and also specifically by the said code, it is a public institution of charity, and that the right of administration resides in the Government, which should take possession of the same, resorting in case of necessity to the courts to do so.

Very respectfully,

L. R. WILFLEY.

The CIVIL GOVERNOR.

OPINION OF THE SOLICITOR-GENERAL OF THE PHILIPPINE ISLANDS AS TO THE HOSPITAL OF SAN JUAN DE DIOS.

HOSPITAL OF SAN JUAN DE DIOS—ADMINISTRATION.

Owing both to the character of its foundation and the special provisions of the laws of the Indies, the Hospital of San Juan de Dios has never been the particular property of the persons having charge of it; consequently it can not now be contended that it is the property of the Catholic Church, notwithstanding the ecclesiastical character of the societies that administered it.

The laws of the Indies provided for the supervision of the hospital in question, as well as of all other hospitals in the Indian possessions, by the officers of the Government.

The authority to provide for such supervision was not delegated by the church, but existed independently in the Government of its own right.

In the exercise of this authority, to prevent a failure of the purposes of the foundation, the Government in 1866 took over the administration of the Hospital of San Juan de Dios and made it in all respects a civil institution.

The administration of the Hospital of San Juan de Dios now pertains to the United States as the successor of the Spanish Government.

DEPARTMENT OF JUSTICE, *May 10, 1902.*

SIR: By direction of the Attorney-General, I have the honor to address this communication to you with the object of submitting some observations concerning the opinion rendered by him in regard to the Hospital of San Juan de Dios.

I concur in the opinion that the Hospital of San Juan de Dios is a corporation or body with legal existence, and that it has the standing of a juridical person in accordance with the terms of the Civil Code; and that the matter of providing for the administration of its affairs pertains to the Government of the United States in these islands, and not to the Roman Catholic Church.

The opinion of the Attorney-General proceeds from the historical standpoint, from a consideration of the successive transformations in the relations of the Catholic Church and the Spanish Administration. I propose to approach the question more from the legal point of view.

The history of the hospital demonstrates that its founder, the lay brother of the Franciscan Order, Juan Clemente, did not endeavor to stamp the institution as private property. He tried to found an establishment for the benefit of humanity, without any personal motives or any consideration of the interest of the corporation to which it pertained, and without any intention of acquiring control over the hospital, either generally or as a member of the corporation. He endeavored to establish an institution with its own proper existence and resources. The donations which were made to the hospital, the principal source of its revenues, were not made to the Father Juan

Clemente, nor to the order of San Francisco; they were made to the hospital for the purposes to which it was dedicated. Neither Father Juan Fernandez, also a Franciscan, who continued the work of his religious brother, nor the brotherhood of Santa Misericordia, which collaborated in sustaining the hospital and which later took charge of it, nor the priests of San Juan de Dios, to whom said brotherhood delivered the Hospital of San Juan de Dios, would be able to call themselves owners of the hospital.

It therefore remains settled that the Hospital of San Juan de Dios, from the date of its foundation until it passed into the hands of the priests of San Juan de Dios, was a foundation with proper existence, established for the benefit of the sick, and was not the particular property of the persons who took charge of it, and consequently was not the property of the Catholic Church, notwithstanding the ecclesiastical character of the Franciscan priests and those of San Juan de Dios. The Fathers of San Francisco, the Brotherhood of Santa Misericordia, and the priests of San Juan de Dios did not, in the opinion of the special patrons of the hospital, exercise more than the administration thereof.

In endeavoring to study this question we must observe that the character of the hospital was both civil and ecclesiastical. This was due to the bonds which united so intimately the church and state, not only in Spain but also in the colonies, so that the church exercised civil functions and the state interested itself in matters of a purely ecclesiastical character.

In accordance, nevertheless, with the provisions of the laws of the Indies relative to hospitals, the Government has the supreme authority and right of superintendence over the hospital, the exercise of which authority and superintendence did not have to be delegated by the church, the power of the sovereign sufficing for this, for the reason that in his tutelary capacity he was called upon to provide for the interests of his subjects and to see that the purposes of public institutions were accomplished.

Law 1, Tit. IV, book 1, of the Recopilacion of the said laws provides that "hospitals shall be established in all the Spanish and Indian towns." The third law of the same title and book provides that "viceroys, audiencias, and governors shall exercise care over the hospitals;" the fifth, that "the priests of the beatified Juan de Dios, in the administration of the hospitals which they have in their charge, shall maintain the form prescribed by this law," which law contains important provisions; the twentieth, that "the hospitals of Manila shall be in charge of the judge of the audiencia."

The fifth law cited above, among other things, contains the following:

7. That the priests are given to understand that the hospitals entrusted to them, or which may be entrusted, are not given to them in order that they may be used as convents of their religion, nor that they may use them for its propaganda, since even to the most ancient this is not permitted without our particular license, and others are totally prohibited from establishing themselves in the Indies; and our will and intention in intrusting to them said hospitals is only that they may succor the sick in them, in accordance with their first and principal institution, which they have to maintain and accomplish, except in the edifices that by our law shall be declared to be convents only and used as such, and those which by particular permission and license shall be permitted to be used for this purpose.

This serves to confirm that which we have said above—that the priests of San Juan de Dios did not become owners of the hospital, but only exercised administration over the same by delegation from the civil power, and under supervision thereof.

So it is also that, in spite of the deed of May 31, 1656, by which the Brotherhood of Santa Misericordia ceded to the priests of San Juan de Dios this hospital, stating that the said brotherhood made irrevocable donation to the Order of San Juan de Dios, and in their name to the vice-comisario of the same, of a hospital, houses and properties, annuities, accounts and debts, "negros y negras" (referring to vestments), linen and medicines, and everything pertaining to the said hospital and to divine worship, and all that then and in the future should to it pertain, in order that, as their property, "the priests should collect and enjoy them, using them according to their will, without restraint," the said priests did not acquire the property of the hospital. Apart from the fact that the brotherhood that made the cession did not possess the property, the law of the Indies cited declares that the priests mentioned should have charge of the hospitals, not to make convents of them, but only that they should in them give relief to the sick in conformity with the principal object of their institution, the ordinances of which (cap. 15) are as follows:

That the Brothers of San Juan de Dios who shall be entrusted with the administering of the said hospital, and those that may be by them empowered with the management of the same, are given to understand that they do not exercise this authority as owners or proprietors of same and of their incomes and charities or alms, but as administrators and assistants of the said hospitals and of their poor, and in order to serve God in them, and to increase the pious and laudable object and vocation of their religion.

Taking into account these antecedents, it is not extraordinary that when, after the lapse of years, the priests of San Juan, forgetting the object of their institution and the mission that had been entrusted to them, and being guilty of conduct unworthy of their calling, and also exercising improper administration of the hospital, a royal cedula was issued on October 19, 1852, in which, among other things, the following is provided:

IX. One of the points which represents most conspicuously the plety of my glorious predecessors has been the care they have taken in providing resources for the establishment of hospitals in all the towns of the Indies, and in the cities and villages inhabited by Spaniards, dictating the rules to which the Brothers of San Juan de Dios and other orders have to subject themselves in the administration of the same, when for convenience they entrusted these orders with the care of them; but, as in the course of time many of these rules have been forgotten, and others have fallen into disuse, and as, above all, the suppression of the order of San Juan de Dios in the Peninsula has led to a diminution in these islands of the number of brothers of this order to such a degree that it is now impossible to properly attend to these hospitals, and moreover the vigilance formerly exercised over them by the superior of the order lacking, as there is no longer such an official, and it being desirable to find a remedy for this unsatisfactory condition in these hospitals, and being convinced that nothing would more greatly contribute to their improvement than the substitution of Sisters of Charity in the place of the Brothers of San Juan de Dios, as the sisters are achieving excellent results everywhere, I have directed that petition be made to His Holiness for the proper bull for the extinction of the houses of San Juan de Dios in these islands, and that in their place be sent Sisters of Charity to establish a nunnery in order that they may take charge of the hospitals, and also undertake the education of girls in the colleges of Santa Potenciana, Santa Isabel, the Jesuits, and San Sebastian, acting in conjunction with the patrons thereof. (Rodriguez San Pedro, Colonial Legislation, vol. 7, p. 880.)

The orders contained in the foregoing cedula concerning the final extinction of the Order of San Juan de Dios were affirmed by royal order of August 17, 1865. A copy of the said royal order is attached, taken from San Pedro's work on Colonial Legislation (vol. 12, p. 438).

For the purpose of executing the said royal order on the 29th day of August, 1866, the superior government of these islands issued a decree directing the transfer to Cavite of the ecclesiastics of San Juan de Dios and appointing a board of inspection to take charge of the administration of the hospital. A copy of the said decree is attached, taken from San Pedro's Colonial Legislation (vol. 10, p. 445).

This decree commences as follows:

The spirit of the royal order of August 17, 1865, unquestionably is that the administration of the Hospital of San Juan de Dios of Manila become completely civil, although temporarily, and form a department of the administration, inasmuch as, invoking paragraph 9 of the royal cedula of October 19, 1852, it directs that the hospital be immediately withdrawn, by the authority of the superior governor, from the administration of the ecclesiastics of the Order of the Hospitalers. This spirit, the text of the order in the part referring to the measures adopted for the ecclesiastical visit directed to be made in the establishment at the request of certain worthy ecclesiastics, and the final directions thereof are conclusive evidence that the execution of that royal order makes the Hospital of San Juan de Dios an establishment for the present purely civil. If these reasons are not sufficient to show the legality of this position, many others of the same nature might be advanced, and among them the most important is that upon the removal from that hospital of one religious order their place can not be taken by another order, or even by individuals of an ecclesiastical character, without inducing most grave and dangerous results. It is the duty of the administration, as the protector of all public interests, to overcome this difficulty and to take charge of the place where the unfortunate sick are at the present time in need of assistance. This is, moreover, the opinion entertained by His Majesty's Government.

Third. The Hospital of San Juan de Dios of Manila and its dependencies shall be in charge of a board of inspection composed of his excellency the regent of this royal audiencia, as president; Don Tomas Balbas de Castro, councillor of administration, ex-president of the late auditing committee of the hospital, and at the present time acting as liquidator thereof, by virtue of which he should discharge the duties of treasurer; Don Mariano Tuason, Don Francisco de Paula Sembrano, Don Juakin Pardo de Tavera, councillors of administration; and Don Manuel Asensi, chairman of the claims committee of the council, and Don Casimiro Cortazar, chief of section of the superior government, the latter to act as secretary.

Fourth. For the interior administration of the hospital there shall be an administrator and a major-domo, to be appointed by this superior government, who shall discharge their respective duties under the inspection of the board. Both should be classified as temporary employees and shall receive a salary of 1,200 crowns and 800 crowns, respectively.

Fifth and last. The board shall recommend to this superior government such alterations and reforms in all branches of the hospital service as may be feasible and proper to introduce, their suggestions to be made with a view to the greatest economy. The board shall also immediately fix the amounts of the bond to be given by the administrator of the hospital.

Since that time the Hospital of San Juan de Dios has been and is a purely civil institution, under the exclusive administration of the Government, the church not having any intervention or part whatsoever in this administration. From the delegated administration of the Franciscan ecclesiastics the hospital passed to the administration of the state derived from the sovereign power. It would be a vain claim for the church to make that the Government assumed the administration of the Hospital of San Juan de Dios under the right of patronage, and that this being a pontifical grant, an ecclesiastical

power, it could not have been transferred to the United States by virtue of the treaty of Paris, owing to the separation of church and state prevailing in that country. Such an argument would be unfounded and absolutely without support, unless it be upon the inadmissible supposition, which has served as a starting point for the church and its representatives in other questions, that eleemosynary institutions, founded by the authority of the church and with the license of the King, are pious foundations, which form part of the property of the church, whose administration is vested in the latter by canon law, and that the administration of the government is under the patronage and by delegation of the Pope. Such an argument would be to establish as a fact a controverted theory.

Much might be said on the subject of patronage, but neither time nor the purpose of this communication will permit.

I might add, however, that the Hospital of San Juan de Dios, as shown by the foregoing, is not the property of the church, and that the latter therefore can advance no right to the administration of the hospital. It is a charitable foundation of public character, whose authorized patron, the Order of San Juan de Dios, has been suppressed. In the absence of any person to take charge of the administration, the government, as the tutelary power of the nation, or as *parens patriæ*, is under the duty of providing for the vacant administration, in order that, in the interests of the public, the purposes of the establishment may not fail for the public benefit. Such power and duty is an attribute of sovereignty, and as such is exercised even in those countries in which church and state are separate.

The exclusively civil character of the Hospital of San Juan de Dios is in no wise modified by the fact that the royal order of October 6, 1891, on account of the many and pressing duties devolving by reason of his office upon the president of the audiencia, directed that the presidency of the board of the Hospital of San Juan de Dios, and of other charitable institutions, be filled by the provincial of one of the four religious orders established in these islands, as this appointment was made by the civil authorities, and the provincials performed their duties as officers of the state.

What has been said leads to a confirmation of the conclusion that the Hospital of San Juan de Dios is a charitable foundation, existing independently, and is a juridical person within the meaning of article 35 of the civil code, and that the administration thereof pertains to the Government of the United States in these islands in subrogation of the Government of Spain, in which it was formerly vested.

Very respectfully,

GREGORIO ARANETA,
Solicitor-General.

Approved:
L. R. WILFLEY.

The CIVIL GOVERNOR.

OLD STATUTES OF THE BANCO ESPAÑOL-FILIPINO.

OFFICE OF THE COLONIAL MINISTER.

STATUTES OF THE BANCO ESPAÑOL-FILIPINO.

TITLE I.—*The name, constitution, title, object, domicile, and duration of the association (sociedad).*

ARTICLE 1. The Banco Español-Filipino, duly incorporated in 1851 and reorganized by virtue of royal decree of February 7, 1896, shall be governed by these statutes.

ART. 2. The Banco Español-Filipino shall continue to exist for a period of twenty-five years commencing from the 1st of January, 1903. Upon the necessary proceedings being had and due authorization granted, this period may be extended at the request of the general board of stockholders (*junta general de accionistas*) provided such request be made at least one year before the expiration of the twenty-five years mentioned.

ART. 3. The domicile of this association (*sociedad*) shall be at Manila.

ART. 4. The business in which the bank may engage is as follows:

(1) Discounting bills of exchange (*letras de cambio*) and commercial promissory notes (*pagares de comercio*) whether the bearer be a merchant or otherwise. The bills of exchange referred to must not extend beyond six months, and the promissory notes referred to not beyond ninety days, and both shall have the guaranties and requisites provided by article 7.

(2) Making collections intrusted to it of current and cash obligations (*obligaciones corrientes y efectivas*) and it may make advances upon the same in such cases as the governing board (*junta de gobierno*) shall decide upon.

(3) Opening current accounts in coined money (*metalico*), public or industrial and mercantile securities (*efectos publicos o valores industriales y mercantiles*) issued by legally established concerns (*firms*).

(4) Caring for voluntary, necessary, and judicial deposits made to it in money, ingots or jewels of gold and silver with or without precious stones, public or industrial and mercantile securities issued by legally established concerns (*firms*).

(5) Negotiating or drawing domestic or foreign bills of exchange, observing the formalities laid down in the Code of Commerce.

(6) Dealing in gold and silver.

(7) Making loans for a period not to exceed ninety days with guaranty and collateral (*deposito*) such as precious metals, articles of

commerce, products of the country, public or industrial and mercantile securities that are safe and easily realized upon, provided, however, that all such collateral shall first be approved by the governing board. Such collateral shall be received at three-fourths its value or quotation. When, however, the person or legal entity to which a loan is to be made is, in the judgment of the governing board, sufficiently solvent apart from the collateral given, then the governing board may direct that such collateral shall be received at 90 per cent of its value, provided always that the same consists of products of the country, public or other securities easily realized upon, and that the borrower appear on the credit list of the bank. In every such case, however, the borrower shall be required to replace in coin, public securities (*valores publicos ó efectos*) the amount of the depreciation which such securities may suffer, so that the amount advanced thereon may at all times be fully covered.

(8) Loans on bills of lading accompanied by invoices and insurance policies, in which cases the amount advanced shall not exceed three-fourths of the value of the articles covered by such bill of lading according to the current market price.

(9) Giving credit, deposit first being made, upon public or industrial and mercantile securities approved by the governing board to such amount as the rate fixed for loans may indicate. Persons to whom such credit is given, whether they make use of the same or not, shall pay a commission on the amount thereof in such amount as the governing board may direct and also such interest as may be agreed upon beforehand on the funds placed at their disposal. Credit may also be advanced on current accounts with security (*garantia*). In returning and selling securities (*garantias*) the same rules shall be observed that are provided for securities (*garantias*) in the case of loans.

(10) Raising funds on securities belonging to it or otherwise negotiating the same whenever it may be necessary.

(11) Contracting with the treasury of the islands under security given by the same through its suboffices (*dependencias*), and authority being first had from the colonial minister.

(12) Making loans to provinces or municipalities within its territory upon approval by the protector and upon good collateral (*seguras garantias*).

(13) Making loans to firms and associations established in the archipelago, and which, in the opinion of the governing board, shall be able to meet their obligations.

(14) Making loans on property (*fincas*) to one-half the value thereof, and in no case shall it issue debentures without right of redemption.

(15) Making loans on ships which are insured, without liability for loss, the amount advanced in such case not exceeding one-half the value of the ship and not for a period of more than one year. The foregoing transactions can be made only when there is a surplus in the treasury and there is not, in the judgment of the governing board, a reasonable hope of being able to employ such surplus advantageously in mercantile transactions.

(16) Discounting acquittances (*cartas de pago*) of the "Caja de Depositos" at Manila within the time specified in the by-laws (*plazos reglamentarios*).

• (17) Undertaking on commission such other banking business or credits as it may deem proper.

(18) Arranging with the colonial minister or his duly authorized representatives for the issue and negotiation of public securities, the payment of obligations incurred through the same, or any other service of the treasury.

(19) And, finally, transacting such other business as in the judgment of the governing board may be required by the commercial needs and practices of the archipelago, and which is compatible with the safety of other business.

ART. 5. The bank shall not deal in public securities (*efectos publicos*), but it may acquire directly from the state such securities when issued by it.

Mortgage obligations created by royal decree of June 28, 1897, are excepted from this restriction and the same may be freely acquired and disposed of by the bank.

ART. 6. The bank shall not acquire by purchase its own stock, nor shall it accept the same as security on loans nor transact any business based thereon.

ART. 7. Bills of exchange and promissory notes discounted by the bank must comply with the requirements of the code of commerce, and, furthermore, be signed by two persons known to be solvent, one of which persons must necessarily appear on the credit list of the bank and be a resident in the locality where the transaction is had.

Should one of said signatures be wanting, it may be supplied by the security mentioned in the seventh provision of article 4. In no case shall promissory notes or bills of exchange (or drafts) be discounted which in the judgment of the bank authorities have already been discharged (*valores de solucion*).

Treasury drafts on its funds (?) may be discounted without the signatures and other requirements provided for in the case of private parties.

ART. 8. Before making a loan on precious metals, articles of commerce, and products of the country on deposit, the value of the same shall be assessed by experts appointed by the bank officials. The bank will in no case be responsible for waste or damage to articles of commerce and products of the country deposited with it.

ART. 9. Buildings (*fincas*) upon which mortgages are to be executed to the bank, must show a perfect title and be free from all incumbrances and responsibility, and, in case they are city property, they must be constructed of strong materials (*materiales fuertes*) and covered by insurance.

ART. 10. Articles covered by bills of lading upon which the bank is to make loans shall be consigned to such person as the bank shall designate at the point of destination, which person shall deduct the current commissions and carry out the orders of the owners thereof in order to effect returns, but directing them to the bank for the final settlement of the transaction.

Should the articles be lost, the bank may proceed, at its election, against the owner thereof for the amount agreed upon, or against the company insuring the same for the amount of the insurance.

ART. 11. For deposits made in the bank the proper officers thereof (*administracion*) shall issue suitable receipt setting forth: First,

the name and domicile of the depositor or official ordering the deposit; second, the nature and value of the deposit and whether it consists of ingots or jewels of gold or silver, its weight and particular qualities; third, the date of the deposit, and the number of its register.

ART. 12. The officers of the bank (administracion) shall be the judge whether it allow or refuse the discounting of bills of exchange or drafts and promissory notes presented to it, as also requests for loans made to it, and such other transactions as may be proposed, and in no case shall they be obliged to give the reasons for their ruling.

ART. 13. The interest on discounts and loans and also on deposits, collections, mortgages, etc., shall be fixed every six months by the governing board of the bank with the approval of the protector; and the expenses of assessment of articles given as security, and such other expenses as such transaction may require, shall be charged to the borrower.

ART. 14. The bank shall have the power to order the sale of securities (colateral-garantías) consisting of securities or effects (valores ó efectos) three days after having called upon the debtor, simply by written notice, to replace the loss in such securities (colateral-garantías), should he not then do so, or after the expiration of the period for which the loan was made should he not have paid the amount thereof. Such sales shall be made at extrajudicial public sale, at which transaction a notary public, a lawfully appointed exchange agent, or duly licensed broker shall assist, without the necessity of a judicial order to that effect; and in order that there be no obstacle in such transfers and that the bank may at all times make the sale without the intervention of the debtor, it shall be set forth in the record of the loan that the articles given as security shall be considered as transferred to the bank, without other formality, by the mere fact of having delivered them to the same as such, and to date from the day on which the bank shall have acquired the right of sale according to the first paragraph (sentence) of this article.

Nonnegotiable securities (valores nominativos) must be transferred in due form; nevertheless (but) the directors of the bank shall give to the parties interested a receipt setting forth the sole and exclusive purpose of such transfer.

Should the proceeds from the sale of securities not fully cover the amount loaned, with interest and expenses thereon, the bank may proceed for what remains due against the debtor; should the proceeds exceed said amount, the excess, should there be any, shall be returned.

In the case of loans made on bills of lading, the borrowers shall be required to replace the security whenever the same is reduced by more than ten per cent of its value; and if upon the maturity of the obligation the same have not been satisfied, and the ship bearing the effects or merchandise that constitute the security should not have arrived, the bank may proceed against the debtor or wait the arrival of the ship in order to make a sale of said securities, with the understanding, however, that should the bank elect the former remedy it shall not thereby lose its right to proceed against the security at such time and in such manner as may be proper.

ART. 15. The bank shall have the exclusive right of issuing bank notes throughout the archipelago, payable at sight to bearer, to three times the amount of the capital stock issued and outstanding (capital efectivo que tenga apartado), subject to the provisions of article 180 of the Code of Commerce, or, in other words, whenever it has in its vaults, in coin, a fourth part, at least, of the amount of deposits, current accounts in coin, and bank notes in circulation. The bank notes which may be issued shall be of five, ten, twenty-five, fifty, one hundred, and two hundred pesos each.

ART. 16. The counterfeiting (falsificación) of the notes of the bank, and the willful passing of counterfeit or forged bank notes, shall be prosecuted by the State with the same activity and energy as in the case of a public crime, and punished in accordance with law. The bank may join as a party in the prosecution should it so desire.

ART. 17. The bank shall open a branch (sucursal) in Iloilo and such other points in the archipelago as the general board of stockholders may deem necessary. Branches in points other than Iloilo may be established only when the bank has a capital of two million pesos, and after first having had the approval of the colonial minister with regard to the place where the branch is to be situated.

In each branch there shall be placed on deposit such amount of the bank notes as the importance of its operations may require, and such bank notes shall be identified by a seal indicating the place to which they belong.

Such branches may be closed down when in the judgment of the governing board of the bank it has been shown they are no longer useful for the object for which they were created, and upon full report to the first general meeting following, and communicating the action of said general meeting to the protector.

Since these branches are a part of the bank, the capital of the bank shall be responsible for the legal effects of the obligations which they lawfully contract.

These branches shall be governed by instructions drawn by the governing board, subject to these statutes.

ART. 18. Foreigners may acquire stock in the bank and engage in all other transactions of exchange and draft (operaciones de cambio y giro) relating to the bank, in the same manner as Spanish subjects (nacionales); but they shall not be allowed to hold any office in the government and administration of the bank unless they possess naturalization papers and are domiciled in the country. Securities deposited in the bank belonging to foreigners shall not be subject to attachment, confiscation, or seizure (represalia) in case of war between their respective nations.

ART. 19. Whenever doubts or controversies arise in matters concerning the internal government of the bank or compliance with its statutes or by-laws, the same shall be settled by the protector as governor (gubernativamente) upon first hearing the report from the governing board.

ART. 20. The Banco Español-Filipino may be called upon (adquiere) to aid the treasury of the archipelago by a gratuitous loan up to the amount of five hundred thousand (₱500,000) pesos, when the capital of the bank does not exceed one million five hundred thousand (₱1,500,000) pesos, and with a third part of its capital when it

does exceed this amount. In either case the time for which the bank may be obliged to advance the 500,000 pesos or third part of its capital, shall not exceed six months in each calendar year (año natural); and this amount may be loaned in one or several sums, either at one time or at distinct periods. In all other transactions which the treasury of these islands may have with the bank, the interest shall be one and one-half per cent less than the current discount given the public, and said interest shall in no case exceed five per cent per annum.

TITLE II.—*Capital stock (capital social) and shares.*

ART. 21. The Banco Español-Filipino, established with a capital of one million five hundred thousand (₱1,500,000) pesos, may increase its capital to three million (₱3,000,000) pesos, according as the commercial needs and the development of its operations may require, and upon first having the consent of the general board of stockholders.

ART. 22. Both the capital indicated of one million five hundred thousand (₱1,500,000) pesos, and any increase of the same that may be made up to the sum of three million pesos, shall be represented by shares of the face value (acciones nominativas) of two hundred (₱200) pesos each.

ART. 23. Said capital of one million five hundred thousand (₱1,500,000) pesos shall be (está) represented by 7,500 shares at 200 pesos each.

The shares that may be issued until the capital of three million pesos authorized to the bank is completed shall be issued when the general board (of stockholders) authorizes the increase of the capital, in which case the issue shall be made upon payment of (satisfaciéndose) 200 pesos for each share, plus such percentage at least as corresponds to such share with respect to the amount (importancia) of reserve funds on hand in the bank on the date of issue.

ART. 24. The bank shall maintain a legal reserve fund of fifteen per cent of its capital stock issued and outstanding (capital efectivo). This fund shall be subject to the same obligations as said capital, and it shall be made up of the net profits resulting from the operations of the bank after deducting the annual interest of the capital, which in no case shall exceed eight per cent.

Besides this fund, the bank may create another voluntary reserve fund to cover the dividends, when the net distributable profits do not reach eight per cent of the amount represented by each share (capital de cada accion). This fund shall in no case be applied to increasing the capital of the bank.

ART. 25. The shares of stock of the bank shall be represented by inscribing (inscripciones) the name of a given person or entity in the bank register, and by issuing to the owners thereof stock certificates (títulos nominales). In the same way the new stock for the increase of the present capital of the bank shall be issued, to the amount and for the periods fixed by royal decree of February 7, 1896. (See Alcubilla, Appendix 1896, p. 161.) The governing board of the bank shall determine such method as it may deem proper for effecting the issue.

ART. 26. Bank shares shall be transferable in all the ways known to the law, except the one thousand which were issued as nontransferable and inalienable, which shall retain their character so long as the corporations that possess them do not request their transfer (enajenacion), and His Majesty's Government direct the same. In order to attach shares, an order from competent authority shall be necessary.

ART. 27. A transfer of shares, whatever be the method of making the same, must be made to appear by a declaration made before a proper officer of the bank (administracion del banco) in person by the party transferring the same to another, or by a special attorney who shall sign in the register of said bank, showing said transfer, and, upon first presenting in the office of the bank the original certificate (titulo original de inscripcion), whereupon a new certificate will be issued to the transferee.

When the transfer of the ownership of shares is the result of hereditary succession, and there is but one heir, an affidavit (testimonia de la clausula de institucion), or the judicial decree declaring said heir to be the heir of the intestate, shall be presented at the bank so that he may be known as the successor to the ownership of the shares of his ancestor.

When there are many persons interested in the inheritance, the successor to the shares shall present, apart from the substitution or declaration of the heir, proof of his interest in the part claimed (parte necesaria).

ART. 28. The responsibility of stockholders for the transactions of the bank shall be restricted to the value of the shares possessed by them, in harmony with the provisions of the code of commerce relating to corporations (sociedades anonimas).

ART. 29. The bank shall not hold any more real property (bienes inmuebles) than is necessary for its service. It shall be allowed, nevertheless, to acquire real property adjudged to it in payment of debts when such debts can not be settled advantageously in any other way; but it should dispose of the same as soon as practicable.

TITLE III.—*Concerning the application and distribution of the profits of the bank.*

ART. 30. The profits or gains resulting from the operations of the bank, after deducting the expenses of administration, and, when proper, such part as corresponds to the legal reserve fund, shall be applied as follows: Ten per cent to the directors (direccion), and five per cent to the governing board (junta de gobierno); the same to be distributed in the manner provided in the by-laws (reglamento). The remaining eighty-five per cent shall belong as a whole to the stockholders, and shall be divided among them according to the number of shares held by each.

ART. 31. These profits shall be distributed in dividends, which shall be declared every semester, as follows: Should the liquidated, distributable profits not exceed eight per cent per annum on the par value of each share, the whole shall be distributed; should there be an excess over said eight per cent, it shall be divided one-half to the stockholders and one-half to the legal reserve fund mentioned in

article 24, until the same is completed; after which the surplus shall be divided amongst the stockholders, in whole or in part, or it may be used for the creation of the voluntary reserve fund, also mentioned in said article, as the governing board may deem best.

ART. 32. The balance sheet provided for in article 157 of the code of commerce shall be drawn up and published monthly.

TITLE IV.—*Concerning the government and administration of the bank.*

ART. 33. The high direction and supreme control of the bank shall be in the protector, the governor-general of the Philippine Islands, who may temporarily delegate his powers as protector, to such an extent as he may deem proper, to some person in his confidence who is a councillor of the administration (*consejero de administracion*), or who holds an administrative rank equivalent thereto.

ART. 34. The government and administration of the bank shall be conducted, subject to the supervision of the protector or of the person to whom he has delegated his powers, in accordance with article 33, by the general board of stockholders (*junta general de accionistas*), by the governing board (*junta de gobierno*), and the board of directors (*una direccion*), who shall have the powers granted them respectively by these statutes.

TITLE V.—*Concerning the authority of the protector and powers of the person to whom he temporarily delegates his duties.*

ART. 35. The following shall be the powers of the protector: First. The appointment of directors (*directores*), the secretary, and one of the *sindics* (*sindicos*) from among the three persons whose names may be submitted to him by the general board of stockholders. Second. To appoint, on his own motion, the other *sindic*, without the necessity of having such names so submitted. Third. To direct (*determinar*) the issue of shares. Fourth. To approve the rate of interest to be collected by the bank on discounts and loans made by it. Fifth. To suspend or discharge from their respective offices directors and voting members (*vocales*) of the governing board, when there is sufficient motive, or well-founded cause for doing so. Sixth. To decide in his capacity as governor such doubts and controversies as may arise concerning matters relating to the internal government of the bank, or the observance of the statutes and by-laws thereof. Seventh. To order the revision of the statutes and by-laws of the bank whenever he deems it proper, or on request of the general board of stockholders. Eighth. And finally, to exercise, as the representative of His Majesty's Government, the powers granted him by law with regard to protected and privileged public establishments.

ART. 36. The person to whom the protector delegates his powers, and in lieu thereof the director on duty (*director de turno*), shall have the following powers:

First. To call general meetings, both ordinary and extraordinary, upon motion to him by the governing board; for sufficient cause.

Second. To convene the governing board in extraordinary session whenever he deems it necessary, either on his own motion, or at the request of one of the *sindics*.

Third. To preside at the general meetings and at the meetings of the governing board, without vote.

Fourth. To direct the suspension, on motion of one of the sindics, of resolutions passed at the general meetings and by the governing board, when the same are not found to be in accord with the statutes and by-laws.

Fifth. To exercise a supervision over the entire bank service, and submit to the protector such recommendations and reports as he may deem proper concerning its condition, and proposing such alterations and modifications as he may deem necessary for the better management of the establishment.

Sixth. To be present at the making of the monthly inspection ("arqueo") and balance ("balance"), signing his approval of the same in the proper book.

Seventh. To draw up special reports requested of him by the protector concerning the business of the bank, making beforehand such inspections of the registers, documents, and papers of the establishment as he may deem necessary.

TITLE VI.—Concerning the powers of the general board of stockholders.

ART. 37. The stockholders of the bank shall be represented at the general meeting by those among them who are owners or beneficiaries of at least ten shares, inscribed in their favor three months before holding the meeting, and this shall be determined by reference to the registers of the establishment.

Stockholders may be represented at general meetings by proxies consisting of such persons as they may elect, whose appointment shall be made by executing power of attorney before a notary public. (Free.)

Stockholders who do not enjoy full legal capacity, such as married women, minors, etc., or possessing the character of legal entities, associations, corporations, etc., shall be represented at the general meetings and also in all other matters relating to the bank by their legal representatives.

ART. 38. The absence of stockholders from the general meetings shall deprive them of the right to contradict and oppose the action of the majority, provided that such action be not contrary to the provisions of these statutes.

ART. 39. Members present at the meeting who possess ten shares shall have one vote, those possessing twenty shares shall have two votes, but in no case shall any stockholder have more than two votes, be the number of shares possessed by him what it may.

ART. 40. The general meeting of the (stockholders of the) bank shall be regularly held on the third day of February of each year, and shall continue, if necessary, during the two following days, but no longer, except upon authority granted by the protector.

ART. 41. The general board (of the stockholders) of the bank shall have power: First. To appoint the councilors of the governing board. Second. To appoint the cashier from among three names submitted by the governing board. Third. To propose to the protector, through the directors of the bank (direccion del banco), three names each for

the positions of directors, secretary, and one of the *sindics*. Fourth. To inform themselves of the situation of the bank through a report which shall be presented by the governing board, and of the general balance of annual accounts which they shall see and examine. Fifth. To act on recommendations made by the governing board, relating to the better order and prosperity of the establishment, in accordance with the statutes and by-laws. Sixth. To draw up such statements as they may deem proper to be submitted to the protector concerning the improvements and reforms that might be made in the bank, the same to be transmitted through the director on duty (*director de turno*). Seventh. Every member of the general board (of stockholders) may present before said meeting, in writing, such suggestions as he may deem proper to the welfare of the bank, but such recommendations shall not be discussed until the next following meeting and until the action of the governing board thereon has been heard. Eighth. To direct the increase of the capital and the manner and conditions subject to which the same is to be made. Ninth. And to exercise the powers and attributes expressly given to them by these statutes and in the by-laws.

ART. 42. A general meeting (of the stockholders) of the bank may be convened in extraordinary session: First. When the number of members of the governing board has been reduced to one-third by death, or other legal impediment which may make it impossible for the members thereof to perform their duties. Second. Whenever one of the *sindics* shall request an extraordinary session for the purpose of considering grave and urgent matters of interest to all the stockholders, and the director on duty (*director de turno*) shall consider the same necessary.

ART. 43. The resolutions passed at the general meeting (of the stockholders) of the bank upon the matter of appointment of personnel will be had by secret vote and will require an absolute majority of votes. Should an election not be obtained on the first ballot, a second ballot will be taken on the persons who were voted for on the first ballot; and should none of these obtain a majority, a third ballot will be had on the two persons who obtained the greatest number of votes on the preceding ballot. In case of a tie, the senior (in age) candidate shall be held to be elected.

ART. 44. In transacting business of any other nature the vote of the meeting will be had in public, and a majority of the votes shall govern.

TITLE VII.—*Concerning the governing board (junta de gobierno).*

ART. 45. The governing board of the bank shall consist of two directors who shall be honorary members thereof, six councilors (*conciliaros*), and one *sindic* appointed upon the recommendation of the general board, and another *sindic* to be named by the protector. Members may be reelected to these positions.

ART. 46. The six councilors and the *sindic* appointed by the general board shall perform their duties, two councilors being added each year.

The *sindic* appointed by the Government (protector?) shall hold office for four years.

The directors shall hold office for two years, the senior member being replaced annually in accordance with the provisions of number one of article 35 and number three of article 41.

ART. 47. Members of the governing board must have on deposit in the vaults of the bank (*en la caja*) during their term of office at least ten shares of stock.

ART. 48. Both the councilors (*conciliaros*) and the *sindics* shall be entitled in respect of these offices to an attendance fee for all sessions held by the governing board. The allowance (*cuota repartible*) is fixed in article 30 herewith.

ART. 49. The duties of the governing board shall be (*son*): (1) To issue stock certificates (*inscripciones de las acciones del Banco*). (2) To determine (*proponer*) the number of bank notes to be issued. (3) To fix the percentage (*premio*) that shall be required on discounts and loans. (4) To draw up private lists (*listas reservadas*), in alphabetic order, of the firms which it considers creditable for discounts, setting forth the amount of credit to be extended to each one. (5) To appoint commissioners (*comisionados*) and correspondents (*corresponsales*), and to designate the points where they are to be stationed. (6) To direct the establishment of branch banks (*succursales*) at such points as are suitable both to the public interest and the bank, in accordance with article 17 of these statutes. (7) To approve, on the proposal of the directors (*dirección*), transactions had by the bank with State establishments (*establecimientos del estado*). (8) To see to it that in all the offices and dependencies of the bank the statutes, by-laws, orders, and resolutions in force are observed. (9) To examine at each session the operations of the directors (*dirección*) and the movement of the bank during the week. (10) To appoint, on recommendation of the directors (*dirección*), a bookkeeper and all the minor employees of the bank, and also all those of such branch banks as it may establish. (11) To suspend for grave and sufficient cause any employee of the bank, and to discharge such as are not appointed by the protector. (12) To draw up the annual report (*memoria anual*) concerning the operations of the bank, which shall be read before the general meeting. (13) To examine and audit the accounts to be made each year by the directors (*dirección*), and to present the general balance. (14) To declare every semester, in accordance with such balance and the state of the voluntary reserve fund, the dividend to be paid to the stockholders. (15) To examine into and take under advisement recommendations made by the members of the general board for the welfare of the bank, and present the same, with their report thereon, to the next general meeting. (16) To make, of its own motion, to said general meeting all suggestions that it deems proper for the extension and prosperity of the establishment.

ART. 50. The *sindics* shall only have a voice (*voto consultivo*) in the governing board, together with the following powers: (1) To make complaint concerning any abuse they may observe in the operations of the bank and in the management of its offices. (2) To examine and pass upon all reports, accounts, and balances of the bank. (3) To oppose the carrying out of resolutions passed by the governing board which are contrary to the statutes of the bank or prejudicial to its interests, and to make report to the director on duty (*director de turno*) for the purpose of having the same suspended, and to report

to the protector when they consider it necessary. (4) To oppose at all times the issue of a greater number of bank notes than the whole number authorized by these statutes.

All complaints made by the sindics shall be inscribed literally in the minutes of the governing board.

ART. 51. The sessions of the governing board shall be held whenever the director on duty (director de turno), of his own motion or at the request of one of the sindics, shall deem them necessary.

ART. 52. No action whatsoever shall be taken at the sessions of the governing board save when there are present at least four voting members and one of the sindics.

ART. 53. Resolutions of the governing board must be passed by a majority of the votes of the members present, and, in case of a tie, the opinion of the president-director on duty (presidente director de turno) shall decide.

ART. 54. The secretary of the bank shall be present at all the sessions of the governing board, without voice or vote, and shall draw up the minutes, which shall be signed by the president, one councilor, and the secretary himself.

TITLE VIII.—*Concerning the directors of the bank (direccion del banco).*

ART. 55. The administration of all the affairs of the bank and the control of its operations shall be in charge of the directors (directores), assisted by a secretary who shall perform such duties as they may direct. When by reason of sickness or absence of a director, or when there is a vacancy in this office, the governing board shall immediately submit, through the directors of the bank (direccion del banco), the names of three eligible persons, from amongst whom the protector shall appoint those who are to fill the office temporarily until the calling of the next general meeting of the stockholders.

ART. 56. Any person not exercising full ownership over twenty shares of stock deposited in the vaults (caja) of the establishment, shall not be allowed to hold office as a director of the bank. (Free.)

ART. 57. The directors shall receive the compensation designated in article 30, which shall be divided equally between them.

ART. 58. The powers of the directors of the bank shall be (son): (1) To direct all the operations of the bank and to give orders and instructions to all the employees thereof who are to take part in said operation. (2) To execute (celebrar) all contracts and perform all transactions undertaken by the bank in accordance with its statutes. (3) To arrange with the agents of the Government the exchange transactions (operaciones de giro) which the bank is to carry on, subject to the approval of the governing board. (4) To carry on with the authorities, public officials, and private corporations such correspondence of the bank as relate to its administration. (5) To authorize with their signatures all administrative acts, and obligations and documents issued by the bank. (6) To give their consent and approval to all discounts and loans that are to be made. (7) To institute all judicial proceedings that may be necessary for the collection of the debts (creditos), and the preservation of the rights of the bank, and to appear in court in the name thereof. (8)

To propose to the governing board for its action the course to be pursued in important business and transactions not provided for by these statutes. (9) To propose to the governing board a bookkeeper, and to make known to the same the individuals they consider suitable for the office of cashier, so that a list of three names may be prepared to present to the general meeting of stockholders, to which body pertains the right to appoint this employee. (10) To appoint all subordinate employees (dependientes) and servants of the bank. (11) To watch over, as the immediate heads of the establishment, the conduct of all its employees, important and otherwise, in the performance of their duties, and to temporarily suspend for just cause those who are delinquent therein, except the secretary, cashier, and bookkeeper, who can only be suspended by the governing board. (12) To call the regular general meetings and such extraordinary general meetings as may be proposed for sufficient cause by the governing board, and also to convene the governing board. (13) To preside over the general meetings and the meetings of the governing board, with a vote. (14) To order the suspension of the resolutions of the governing board on motion of one of the *sindics* when the same are found not to be in harmony with the statutes and by-laws. (15) To make visits of inspection throughout all the offices of the bank, and to address to the protector such recommendations as they may deem proper concerning its condition, proposing to him suitable alterations or modifications for the better government of the establishment. (16) To be present at the making of the monthly inspection and balance, signing their approval in the proper book. (17) To sign stock certificates (*rubricar los títulos de inscripción de acciones*) and to authorize with their signatures notes issued payable to bearer. (18) To draw up special reports requested of them by the protector concerning the affairs of the bank, first making such inspection of the registers, documents, and papers of the establishment as they may deem necessary. (19) To examine the report to be made to the general meetings relative to the situation of the bank, and to *visé* the same before it is read to the meeting, requiring in advance such proofs of the correctness of its contents as they may deem necessary.

The powers designated in numbers 12, 13, and 14 shall not be exercised by a director so long as there is a delegate of the protector in office.

ART. 59. One of the directors shall represent the bank and he shall exercise the powers and have the attributes granted the directors (*direccion*) by article 58 of these statutes, and he shall authorize with his signature all the acts, contracts, and operations that may be made.

In the discharge of this duty both directors shall periodically take their turn.

ART. 60. In the case of any judicial proceeding (*demanda judicial*) other than for the collection of bank accounts (*creditos del banco*) the directors must first obtain the approval of the governing board before acting therein.

ART. 61. The directors shall be accountable (*responsables*) to the bank for all operations carried on by them beyond their powers, or contrary to the statutes, by-laws, and resolutions in force.

TITLE IX.—*Dissolution and winding up of the bank.*

ART. 62. The bank shall be dissolved (1) upon the expiration of the term of its life, except an extension be had; (2) upon the loss of one-half of the capital subscribed, in which case the governing board shall immediately call, within as short a period as possible, an extraordinary general meeting to report the condition of the bank.

The general board may direct that the bank shall continue, in which case it may determine the necessary steps to be taken to fix the status of the bank, provided those present and voting represent two-thirds of the capital.

ART. 63. A dissolution having been decided upon, the winding up of the bank's affairs shall be in charge of the governing board then in office, except said governing board should determine to appoint receivers (*liquidadores especiales*), in which case said receivers shall receive such compensation as the governing board may direct.

ART. 64. While the winding up of the affairs of the bank continues the powers of the general board shall remain intact.

This board shall specially have the power to approve the accounts of the receivership (*liquidacion*), and to give a discharge.

The amount realized after paying the debts and expenses shall be distributed *pro rata* amongst the stockholders.

TITLE X.—*General provisions.*

ART. 65. The bank shall not furnish any information concerning the funds in its possession on a current account, or on deposit, belonging to a given person, save by virtue of a judicial order.

ART. 66. Dividends declared and not called for within three years following the date upon which they were available shall draw in favor of the bank the interest specified for voluntary deposits in money, commencing from the expiration of said period.

ART. 67. Questions arising between the bank and one or more stockholders, or between stockholders and the governing board, shall be submitted to the decision of arbitrators (*amigables componedores*) appointed in accordance with the law of civil procedure, in accordance with the provisions of which said arbitration shall be had.

Approved by His Majesty, Madrid, July 14, 1897.

CASTELLANO,
Colonial Minister.

A true copy.

CABELLO,
Subdirector.

NEW STATUTES OF THE BANCO ESPAÑOL-FILIPINO.

AN ACT To confirm certain rights and franchises of the Banco Espanol-Filipino and to amend its statutes.

Whereas the Banco Español-Filipino is a bank incorporated under a charter granted by the Kingdom of Spain conferring certain privileges and rights upon the bank, and especially that of the exclusive right of issuing and circulating notes of the bank to an amount equal to three times its capital stock, which was authorized to be three million of pesos, equivalent to \$1,500,000 American currency; and

Whereas the bank has a paid-in capital of 1,500,000 pesos and claims to have in addition an unimpaired surplus of 900,000 pesos; and

Whereas the bank has issued, and has now in circulation, its circulating notes amounting substantially to 1,500,000 pesos; and

Whereas the authorities of the bank contend that under the American sovereignty, by reason of the guaranty of the Treaty of Paris, they may exercise the same exclusive privilege with respect to circulating notes which was given them under the Spanish charter, and, therefore, that they may increase their capital stock to 3,000,000 pesos and issue notes to the amount of 9,000,000 pesos; and

Whereas the representatives of the bank contend that the Philippine government has violated the exclusive right of the bank above set forth in issuing so-called silver certificates secured by a deposit of similar pesos in the treasury of the islands; and

Whereas the Philippine government, while recognizing as valid the present circulation, has heretofore denied the right of the Philippine bank under its charter to issue notes equal to three times its capital stock, on the ground that such note-issuing franchise was an exercise of sovereign power which was not transmitted or guaranteed by the treaty of Paris, and has, therefore, imposed a prohibitory tax of 12 per cent on any notes issued beyond the actual paid-in capital stock of the bank, because of its belief that the certain payment or redemption of such notes will not be properly secured under the provisions of the Spanish charter; and

Whereas the bank now threatens to test in court the validity of its franchise and the validity of the prohibitory tax, and relies upon the action of the Congress of the United States in confirming a similar charter granted to the Bank of Porto Rico; and

Whereas the Philippine government has no objection to the issue of circulating notes by this bank to the extent permitted by the Spanish charter, provided only that it shall not be exclusive, and that proper provision shall be made for securing the redemption or payment of such notes:

Now, therefore, by way of compromise of the questions arising between the Banco Español-Filipino and the Philippine government in respect to its charter, and the rights already conferred thereby, the Philippine government, by virtue of the general powers conferred upon it under section 74 and other sections of the act of July 1, 1902, does hereby amend and confirm the Spanish charter of the Banco Espanol-Filipino as the same is hereinafter set forth: *Provided, however*, That nothing in this act shall affect the validity of acts done and rights and causes of action which have arisen under the existing statutes of said bank in its relations with individuals, firms, corporations, and associations in the conduct of the banking business, except that validity is hereby given to all acts heretofore performed by the bank which would otherwise be legal, and whose validity might be questioned by reason of the failure of the bank to comply with its statutes in regard to the participation of the government in the management of the bank: *And provided further*, That the charter and statutes of the bank hereinafter set forth by way of amendment and confirmation shall not take effect until the same shall be duly and in legal form accepted by the proper authorities of the bank representing the corporation.

ARTICLES OF INCORPORATION OF THE BANCO ESPANOL-FILIPINO.

TITLE I.—*Name, constitution, title, objects, domicile, and duration of the corporation.*

ARTICLE I.

That the Banco Espanol-Filipino, founded in 1851 by a joint stock company duly authorized to transact business, and reorganized by virtue of royal decree of February 7, 1896, shall hereafter be governed by these articles of incorporation.

ARTICLE II.

That the Banco Espanol-Filipino shall be a body corporate, with power to adopt a corporate seal, and shall have succession for the period herein provided; that its corporate existence shall be extended for twenty-five years from January 1, 1903. This period may be extended at the request of the majority of the stockholders of the bank, provided such request be made at least one year before the expiration of the twenty-five years mentioned. It may make contracts, sue and be sued, complain and defend, in any court of law or equity, as fully as a natural person.

ARTICLE III.

That the bank is authorized to change its name, by vote of the stockholders in general assembly, to "The Bank of the Philippine Islands."

ARTICLE IV.

The head office of the corporation shall be located in the city of Manila, but branches of the bank now established may be continued, and others may be established or discontinued in other parts of the Philippine Islands, subject to the approval of the governor-general

of the Philippine Islands, and agencies of such bank may be established in the United States and in foreign countries, subject to the approval of the governor-general of the Philippine Islands, and in accordance with the laws of the United States or such foreign countries.

ARTICLE V.

The bank is authorized to engage in the following classes of transactions:

1. Discounting bills of exchange whose maturity does not exceed six months and commercial promissory notes whose maturity does not exceed one year.

2. Making collections of drafts and other current negotiable paper and advancing money thereon.

3. Receiving deposits and opening current accounts in currency or upon the deposit of public, provincial, municipal, industrial, or railway securities issued by legally constituted corporations.

4. Receiving and caring for money deposited in trust, arising from legacies, voluntary and other trusts, and judicial decrees, or in any other manner.

5. Receiving in the same manner as under paragraph 4 gold and silver bars, jewelry with or without precious stones, and stocks and bonds and other securities issued by corporations.

6. Negotiating or drawing bills of exchange, whether domestic or foreign, under the formalities prescribed by the Code of Commerce as modified by the provisions of this act.

7. Dealing in gold and silver.

8. Making loans upon the security of deposit with the bank, as collateral, of precious metals, articles of commerce, products of the country, negotiable securities, and industrial and commercial bills which are easily and safely realized upon at any time: *Provided*, That all such loans shall be made under regulations established by the general board of directors. Such collateral securities shall be accepted only at a rate not exceeding three-fourths of their market or appraised value, except that when the person or legal entity to which a loan is to be made is, in the judgment of the general board of directors, sufficiently solvent, apart from the collateral furnished, loans may be made to the amount of ninety per cent of the market value of said collateral security, provided that said security is easily convertible into cash and the person to whom the advance is made is a client of the bank; but said person shall, upon the demand of the bank, pay in cash or deposit first-class securities to cover any depreciation in the market value of the securities furnished.

9. Making loans on bills of lading, when invoices and insurance policies satisfactory to the bank are attached thereto: *Provided*, That the amount of such loan shall not exceed three-fourths of the current market value of the articles covered by such bills of lading.

10. Granting current credit accounts in favor of clients who have been approved by the general board of directors, such accounts paying to the bank a commission upon the sums upon which they are entitled to draw, in addition to the interest upon amounts actually used.

11. Buying and selling or otherwise negotiating securities, and borrowing money upon securities owned by the bank.

12. Making loans upon real estate, when mortgage certificates running for a definite term can be sold for the amounts thus loaned; but the amount invested at any one time in such loans, or in any loans upon real estate security, shall not exceed twenty per centum of the capital of the bank, and if such investments are now in excess of that sum they shall be reduced as rapidly as the interests of the bank are deemed to justify, under the direction of the treasurer of the Philippine Islands.

13. Making loans upon vessels which are insured and free from encumbrance, provided such loans do not exceed half the value of the ship nor run for more than one year. Such loans shall not exceed ten per centum of the paid-up capital of the bank.

14. Making loans to firms and corporations established in the Philippine Archipelago and which, in the opinion of the general board of directors, are of undoubted solvency, provided such loans shall not exceed ninety days in duration.

15. Undertaking on commission the purchase and sale of securities and such other banking operations, under regulations established by the general board of directors, as may be within the incidental powers of a bank; but no powers shall be exercised which are not expressly granted by this act if such exercise is prohibited by the governor-general of the Philippine Islands.

16. Preparing, issuing, and circulating bank notes under the provisions of this act.

ARTICLE VI.

The bank shall not make any loan or discount on the security of the shares of its own capital stock, nor be a purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall be sold or disposed of at public or private sale within six months from the time it is acquired.

ARTICLE VII.

All notes and bills of exchange discounted by the bank must bear at least two signatures of known solvency, one of which must be a resident of the locality of the transaction and must comply in other respects with the provisions of the code of commerce, except that such transactions may, with the approval of the president of the bank, be for a longer period than ninety days, and one signature may be dispensed with when loans are made on negotiable securities, as provided by paragraph eight of Article V.

Warrants or drafts drawn by the treasurer of the Philippine Islands or of the United States may be accepted without the signatures and conditions required in the case of private parties.

ARTICLE VIII.

The total liabilities to the bank of any person, or of any company, corporation, or firm, for money borrowed, including in the liabilities of a firm the liabilities of the several members thereof, shall at no time exceed one-tenth of the amount of the capital stock of the bank, actually paid in and unimpaired, and one-tenth part of its unim-

paired surplus fund; but the discount of bills of exchange drawn in good faith against actually existing values, and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed.

ARTICLE IX.

Before making loans on precious metals, merchandise, and goods in warehouse, the value of the same shall be appraised by experts appointed by the officers of the bank, but the bank shall not be liable for any loss, damage, deterioration, or shortage of or to the merchandise so stored, except in cases arising from its default or negligence.

ARTICLE X.

All real property upon which mortgage loans are made must have a marketable title and be free from all encumbrances and liens.

Buildings, if city property, must be constructed of substantial material; and in all cases the buildings or improvements upon such real estate shall be insured to at least 75 per centum of their value, and no loans shall be made on real estate to an amount greater than 50 per centum of the value thereof.

ARTICLE XI.

Merchandise specified in a bill of lading upon which a loan is made by the bank must be consigned to such person as the bank shall designate at the place of destination, who may deduct the current commissions and charges, and shall comply with the orders of the shipper as to the sale or disposition of the property, and pay the proceeds thereof to the bank to the amount of its loan, charges, and expenses.

In case of loss of merchandise, the bank may proceed, at its option, against the shippers or carriers thereof for the amount of the loan, with all charges and expenses, or against the insurance company insuring the same for the amount of such insurance.

ARTICLE XII.

Upon deposits made in the bank of precious metals or merchandise, other than money in current account, the bank shall furnish to the depositor a certificate containing the following particulars:

First. The name and domicile of the depositor or of the authority ordering the deposit.

Second. The nature and value of the deposit, and where it consists of bars or jewelry of gold or silver, the weight and specific qualities thereof.

Third. The date of the deposit and the entry number in the proper books of the bank.

ARTICLE XIII.

The officers of the bank shall, within the limitations of this act, be exclusive judges as to the acceptance or refusal of drafts, notes, and bills of exchange submitted for discount, and of all applications for loans and of other business transactions.

ARTICLE XIV.

The rates of interest on discounts and loans, on deposits, collections, mortgages, etc., shall be fixed every six months by the general board of directors, with the approval of the president of the bank, and such rates, if not contrary to law, shall be those charged in cases where no specific agreement is made, but the bank may change such rates, from time to time, upon notice of one week, and may make other rates by agreement of both parties. All expenses connected with the transaction, including the fees of appraisers, shall be charged to the borrower.

ARTICLE XV.

The bank may order the sale of collateral security in its custody, consisting of securities or merchandise, or any other thing, three days after having called upon the debtor, by written notice, to increase the amount of such security, if in the meantime he has failed to comply with such request, or after the maturity of a loan if the loan has not been paid. These sales shall be made at public auction, with the assistance of a notary or exchange agent or broker, and without the requirement of any judicial order or process; and in order to avoid delay or difficulty in the disposal of such collateral security, and that the bank may accomplish the sale without interference on the part of the debtor, it shall set forth in the note or evidence of indebtedness that the collateral security given is to be considered as transferred to the bank without any further formality by the fact of delivery, under the conditions set forth therein.

All such securities registered in the name of the owner shall be transferred in due form to the bank, which shall issue therefor a receipt setting forth the terms of the delivery and the purposes for which such transfer has been made.

If the proceeds of the sale of such securities do not cover the full amount of the loan, together with interest and other charges thereon, the bank may proceed against the debtor for the difference, but any amount exceeding the full indebtedness to the bank shall be paid over to the debtor.

Parties obtaining loans on bills of lading must increase the amount of security with the bank whenever a fall of ten per centum takes place in the market value of the merchandise, and if upon maturity of the loan the amount has not been paid or the vessel has not arrived with the merchandise constituting such security, the bank may, at its option, proceed against the debtor or await the arrival of the vessel, in order to make a sale of such merchandise, with the understanding that if the bank shall elect the former remedy, such action shall not impair the right of the bank to proceed against the security itself at such time and in such manner as it may deem proper.

TITLE II.—*Concerning capital stock and shares.*

ARTICLE XVI.

The bank may increase the amount of its capital stock from time to time to a total amount not exceeding ten million pesos, by a vote of a majority in amount of the stock, at a meeting of the general assembly of the stockholders, by the bona fide sale of new stock for not

less than par in cash, and such increase of capital shall be valid only when the whole amount of such increase shall be paid in and notice thereof shall have been transmitted to the treasurer of the Philippine Islands and his certificate obtained specifying the amount of such increase of capital stock, with his approval thereof, and that it has been duly paid in as part of the capital of the bank.

ARTICLE XVII.

The existing capital and any increase of the same which may be made shall be represented by shares of the face value of 200 pesos each.

ARTICLE XVIII.

In case of an increase of the capital stock by authority of a general assembly of the stockholders, the shares shall be issued upon the payment in full of the price therefor, to be fixed by the bank, not less than 200 pesos for each share, plus such percentage as corresponds to the ratio of the reserve funds or surplus then on hand and unimpaired to the aggregate amount of the capital after such increase of capital.

ARTICLE XIX.

The bank shall maintain a reserve fund or surplus of not less than fifteen per centum of its capital stock issued and outstanding, which fund shall be subject to the same obligations as capital, and shall be made up of the net profits resulting from the operations of the bank after deducting the dividends paid upon capital.

The bank may create an additional reserve fund for the purpose of distributing dividends when the amount actually earned in any year does not reach six per centum of the capital stock, but this fund shall not be applied to the increase of the capital stock of the bank.

ARTICLE XX.

The ownership of the shares of the capital of the bank shall be recorded in the name of a person, corporation, or other legal entity in the register of the bank, and registered stock certificates shall be issued to the record owners thereof. New issues of capital shall be registered in the same manner, under regulations to be made by the general board of directors.

ARTICLE XXI.

Shares of the capital stock may be transferred by a declaration made in person before a proper officer of the bank by the party transferring the same, or by some one having power of attorney to sign said register, upon first presenting to the bank the original certificate, for which, upon cancellation, a new certificate will be issued.

ARTICLE XXII.

That the stockholders of the bank shall be subject to no other or additional liability than the amount which they shall have paid or bound themselves to contribute in payment for the shares standing in their names, not exceeding the face value of said shares.

ARTICLE XXIII.

Stock in the bank may be held by persons and corporations without regard to domicile, and officers and directors may be chosen without regard to nationality, except that a majority of the board of directors shall be made up of citizens of the United States or of the Philippine Islands; but money in current account and securities and other articles of value deposited in the bank which is the property of foreigners shall not be subject to attachment, confiscation, or seizures because of war between their respective nations, except as such processes would lie in the ordinary course of law against citizens of the United States or of the Philippine Islands.

TITLE III.—*Concerning the issue of circulating notes.*

ARTICLE XXIV.

That the circulating notes of the bank shall hereafter be issued under the following limitations of amount and conditions:

(a) To a present amount not exceeding two million four hundred thousand pesos, which shall represent the paid up and unimpaired capital of the bank and the value of the surplus as ascertained by the governor-general of the Philippine Islands; and in case such capital and surplus shall not, in the opinion of the governor-general of the Philippine Islands, be equal in value to the amount of circulation herein authorized, then said governor-general may require a contraction of such circulation until it shall not exceed the value of the capital and surplus of the bank or the deposit with the treasurer of the Philippine Islands of commercial paper conforming to the statutes of the bank and acceptable to the governor-general, for any excess in the amount of circulation above the value of the capital and surplus as ascertained and determined by him: *Provided, however,* That as a condition precedent of issuing notes to the extent of the paid up and unimpaired capital of the bank and the value of the surplus as ascertained by the governor-general as above permitted said surplus shall be formally treated as a part of the capital of the bank and shares of stock issued therefor to the persons entitled thereto. And said bank is hereby authorized to issue its circulating notes, secured by its capital as herein provided, in equal proportion with each increase of paid in capital stock in cash, not exceeding nine million pesos; and all notes so issued shall be governed by the provisions of this section.

(b) To a present additional amount not exceeding six hundred thousand pesos upon deposit with the treasurer of the Philippine Islands of bonds of the United States, bonds or certificates of the government of the Philippine Islands, bonds of the city of Manila, stock or bonds of railways or mortgage banks upon which interest or principal has been guaranteed by the government of the Philippine Islands, or other securities acceptable to the governor-general of said Philippine Islands, and the percentage of circulation to be allowed upon the face value or market value of each of said class of securities shall be determined by said governor-general of the Philippine Islands. Such notes may be issued at the discretion of the bank, subject only to the condition that the securities deposited shall be

acceptable in character and amount to the governor-general of the Philippine Islands, and without regard to whether issues have been made or applied for under other provisions of this act. And in case of the increase of the paid up and unimpaired capital of the bank from two million four hundred thousand pesos to three million pesos the treasurer of the Philippine Islands shall deliver to the bank the securities deposited with him to cover circulating notes under this paragraph (b).

It being the intention that the total circulating notes issued under this act shall never exceed in amount nine million pesos, representing an equal amount of the paid up and unimpaired capital of the bank.

ARTICLE XXV.

All outstanding notes of the bank shall, after January 1, 1908, constitute a preferred lien upon the assets of the bank, except as to such securities as have been specifically deposited under special agreements with public officials for the safe-keeping of public moneys; and any bonds or other securities deposited with the treasurer of the Philippine Islands, as hereinbefore provided, for the security of the circulating notes of the bank, shall be held exclusively for that purpose until such notes shall be redeemed; but the treasurer of the Philippine Islands shall give to the bank powers of attorney to receive and appropriate to its own use the interest and dividends on such securities in the custody of said treasurer; but such powers shall become inoperative whenever the bank shall fail to redeem its circulating notes, and said treasurer of the Philippine Islands, under regulations prescribed by the governor-general, may permit or require an exchange to be made of any of the securities in his custody.

ARTICLE XXVI.

The bank shall be held to renounce all claim to the exclusive privilege of issuing notes in the Philippine Islands, or to any other exclusive privilege not set forth in this act; but no laws or regulations shall be made or enforced affecting the bank, or imposing charges or taxation upon it, which shall not apply equally to other banks of a similar type operating under similar conditions, and no bank shall be authorized to issue circulating notes in the Philippine Islands with a paid-up capital less than two million pesos; but this provision shall not preclude the government from granting special privileges to agricultural banks, savings banks, mortgage banks, or other institutions of special types whose principal business is not commercial banking.

ARTICLE XXVII.

That the treasurer of the Philippine Islands, and all assistant treasurers and provincial and municipal treasurers and other public officials, shall be directed to receive the circulating notes of the bank for public dues so long as said circulating notes are paid in the lawful money of the Philippine Islands or of the United States, without discount and on demand, at the bank and its branches.

ARTICLE XXVIII.

That the notes issued under the provisions of paragraph (a) of Article XXIV of this act shall pay a tax at the rate of one-half of one per centum per annum; and the notes temporarily issued under the provisions of paragraph (b) of said Article XXIV of this act shall pay a tax at the rate of one per centum per annum, such taxes to be assessed upon the amount of notes actually in circulation and not held in the bank or its branches, at fixed intervals not less frequently than once a month, to be determined by regulations made by the treasurer of the Philippine Islands.

ARTICLE XXIX.

That whenever the bank desires to withdraw circulating notes which are not in its possession it may deposit with the treasurer of the Philippine Islands in the lawful money of the Philippine Islands or of the United States an amount equal to the face value of the circulating notes which are to be withdrawn and retired, and if such notes are represented by securities in the custody of said treasurer he may surrender such portion of said securities as, in his opinion, will represent a just proportion of the securities held to secure circulating notes, and thereupon the taxes imposed by this act upon circulating notes shall cease upon an amount thereof equal to the amount of lawful money deposited, and such lawful money shall be repaid from time to time to the bank upon the presentation and surrender to said treasurer of the Philippine Islands of notes which have been received or redeemed.

ARTICLE XXX.

That the circulating notes of the bank may be issued in denominations of 5 pesos, 10 pesos, 20 pesos, 50 pesos, 100 pesos, and 200 pesos, and shall express upon their face the promise of the bank to redeem them on demand in lawful money of the Philippine Islands or of the United States, attested by the signatures of the president or vice-president and cashier.

ARTICLE XXXI.

That the bank shall at all times have on hand, in lawful money of the Philippine Islands or of the United States, an amount equal in value to at least 25 per centum of the aggregate amount of its notes in circulation and in addition thereto 20 per centum of its deposits in current accounts which are payable on demand; provided, however, that this requirement shall not apply to the notes issued under paragraph (b), Article XXIV above.

ARTICLE XXXII.

That the circulating notes of the bank shall hereafter be issued to the bank by the treasurer of the Philippine Islands, who shall make requisitions upon the Bureau of Insular Affairs, at Washington, for such a supply as may be necessary to anticipate reasonable demands,

and he shall keep such notes in his custody in the treasury of the Philippine Islands; but said notes shall not have validity as currency until the seal of the bank and the signatures of its officers duly authorized to perform such functions are attached.

TITLE IV.—Concerning the powers of the general assembly of the stockholders.

ARTICLE XXXIII.

The stockholders of the bank shall be represented at its general assembly by those among them who are owners of, or who represent, at least ten shares of the capital stock registered in their names at least two months before the meeting as shown by the registered list of stockholders.

Stockholders may be represented at general meetings by proxies designated by them, but the appointment of such proxies shall be valid only when proper power of attorney is executed before a notary public.

Stockholders not possessing full legal capacity, as married women, minors, et cetera, or possessing the character of corporations, associations, or other legal entities, shall be represented at the general meetings and in all other matters relating to the bank by their legal representatives.

ARTICLE XXXIV.

One vote in the general assembly of the stockholders shall be allowed each ten shares of the capital of the bank actually represented by the owner thereof or by duly authorized proxy.

ARTICLE XXXV.

The general assembly of the stockholders of the bank shall be held on the second Tuesday of February in each year, and may be adjourned from day to day until its business is concluded.

ARTICLE XXXVI.

The general assembly of the stockholders shall have the following powers:

1. To elect the members of the general board of directors.
2. To inform themselves of the condition of the bank through a report presented annually, or oftener, by the general board of directors, and through the annual general balance sheet.
3. To act on recommendations made by the general board of directors relating to the interests of the bank, in conformity with the statutes and by-laws.
4. Any member of the general assembly of the stockholders may present to said general assembly in writing such suggestions as he may deem proper for the welfare of the bank, but such recommendations shall not be acted upon until the next following meeting, nor until the general board of directors has passed upon them.

5. To authorize the increase of the capital stock and prescribe the manner and conditions under which it shall be made, subject to the provisions of this act.

6. To exercise any other powers expressly granted by or reasonably to be implied from these statutes and the by-laws of the bank, and not in conflict with this act.

ARTICLE XXXVII.

A general assembly of the stockholders of the bank may be convened in extraordinary session whenever the number of members of the general board of directors has been so reduced as to make it impossible for the members thereof to perform their duties, or whenever five members of the general board of directors shall so request, and the object of such meeting shall be stated in the call.

ARTICLE XXXVIII.

In choosing the directors of the bank, at the general assembly of the stockholders, an absolute majority of votes cast shall be required to make a choice, and the vote shall be taken by secret ballot.

TITLE V.—*Powers of the board of directors.*

ARTICLE XXXIX.

The direction of the bank shall be under the control of a general board of directors, who shall choose a president, vice-presidents, a cashier, and such other officers as they may deem expedient, and said general board of directors may fix the salaries of such officials at such amounts as they may deem proper.

ARTICLE XL.

The general board of directors of the bank shall consist of the president and vice-presidents, not exceeding five in number, who shall be members of the board *ex officio*, and not less than eleven nor more than twenty-five directors chosen annually by the stockholders in general assembly. Members of the board shall be eligible for reelection.

ARTICLE XLI.

There may be elected by the general assembly of the stockholders, at its discretion, associate directors of branches in the Philippine Islands, in the United States, or in foreign countries, who shall, under regulations made by the general board of directors, meet separately from said general board to consider matters relating to the interests of the branch for which they are elected, but their action shall be advisory only and shall be subject to the approval of the general board of directors at Manila. Such associate directors may or may not, in the discretion of the general assembly, be required to be stockholders in the bank, and shall be subject to removal or termination of their functions at any time upon vote of said general assembly.

ARTICLE XLII.

Each member of the general board of directors, in order to be eligible as a member, shall deposit with the bank, in trust, before assuming his duties not less than ten shares of the stock of the bank registered in his name. Each such director when appointed or elected shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the bank, and that he will not knowingly violate, or willingly permit to be violated, any of the provisions of this act, which oath, subscribed by himself and certified by the officer before whom it is taken, shall be immediately transmitted to the treasurer of the Philippine Islands and by him filed and preserved in his office.

ARTICLE XLIII.

Members of the board of directors, except the president and vice-presidents of the bank, shall be entitled to a fee for attendance at meetings of said board, which shall be fixed by the general board, but shall not exceed 25 pesos.

ARTICLE XLIV.

The duties of the general board of directors shall be as follows:

1. To supervise the issue and transfer of certificates of stock and establish regulations therefor.
2. To determine from time to time the number and amount of circulating notes to be issued under the provisions of this act.
3. To fix the rate of discounts and loans.
4. To prepare confidential lists of the firms and corporations to which it considers discounts may properly be accorded, fixing the amount of credit to be extended to each.
5. To appoint agents and correspondents and to designate the points where they are to be stationed.
6. To authorize the establishment of branch banks at such points as will serve the public interest and that of the bank, in accordance with Article IV of these statutes.
7. To ratify, if satisfactory to it, transactions between the bank and the government and other current transactions.
8. To take care that in all the offices of the bank the statutes, by-laws, orders, and resolutions in force are strictly observed.
9. To examine and consider, at each regular meeting, the transactions of the officers of the bank and the operations of the bank.
10. To elect the president, vice-presidents, secretary, and cashiers of the bank.
11. To appoint, on recommendation of the officers of the bank, bookkeepers and minor employees of the bank and of its branches.
12. To remove or suspend employees of the bank, with or without the recommendations of the officers.
13. To draw up the annual report concerning the operations of the bank, which shall be read at the general assembly of the stockholders.
14. To examine and audit the accounts submitted by the officers and to approve the general balance sheet.

15. To declare semiannually, in accordance with such balance sheet and the state of the voluntary reserve fund, the dividend to be paid to the stockholders.

16. To examine into and take under advisement recommendations made by stockholders in general assembly for the welfare of the bank, and to present the same, with their report thereon, to the next general assembly.

17. To make, of its own motion, to said general assembly all suggestions which it deems proper for the advantage of the bank.

ARTICLE XLV.

No action shall be taken at the sessions of the general board of directors except when a majority is present.

ARTICLE XLVI.

Resolutions of the general board of directors must be passed by the votes of a majority of the members present.

ARTICLE XLVII.

The secretary of the bank shall be present at all the sessions of the general board of directors, without voice or vote, and shall draw up the minutes, which shall be signed by the president and the secretary himself.

TITLE VI.—*Concerning the officers of the bank.*

ARTICLE XLVIII.

The administration of all the affairs of the bank and the control of its operations shall be in charge of the president, assisted by two or more vice-presidents and a secretary, who shall perform such duties as the president may direct.

ARTICLE XLIX.

The officers of the bank shall receive, in addition to their salaries, the compensation hereinafter set forth, which shall be divided as prescribed by the general board of directors.

ARTICLE L.

The powers of the president of the bank shall be:

1. To direct all the operations of the bank and to give orders and instructions to all the employees thereof who are to take part in said operations.

2. To execute all contracts entered into on behalf of the bank, and to perform all other duties customarily incident to his office.

3. To authenticate by his signature all administrative acts and obligations and documents issued by the bank.

4. To consider and pass upon applications for discounts and loans.

5. To institute and prosecute, in the name of the bank, all judicial proceedings that may be necessary for the collection of debts due to the bank and for the preservation of its rights.

6. To make recommendations to the general board of directors in regard to transactions not provided for by these statutes.

7. To recommend to the general board of directors the appointment of all subordinate employees and servants of the bank.

8. To supervise and direct the conduct of the employees of the bank in the performance of their duties and to temporarily suspend for just cause those who are delinquent therein, except those officials elected by the general board of directors, who can only be suspended by said board.

9. To call the regular general assemblies of the stockholders and such extraordinary general assemblies as may be requested by a sufficient number of the general board of directors.

10. To convene the general board of directors in extraordinary session whenever he deems it necessary, either upon his own motion or at the request of any three members of said board.

11. To preside at general assemblies of the stockholders and meetings of the general board of directors, with a vote.

12. To make visits of inspection to the offices of the bank and to address to the general board of directors such recommendations as he may deem proper concerning its condition.

13. To verify the monthly balance sheet and to sign his approval of the same in the records of the bank.

14. To sign stock certificates and to certify by his signature notes issued payable to bearer.

15. To examine the report to be made to the general assembly relative to the condition of the bank and to approve the same before it is read to the meeting, satisfying himself in advance of the correctness of its contents.

ARTICLE LI.

That in the absence or disability of the president, the vice-presidents, in the order designated by the general board of directors, shall exercise the powers herein granted to the president.

ARTICLE LII.

In the case of any judicial proceedings other than for the collection of obligations to the bank, the officers must obtain the approval of the general board of directors before acting therein.

ARTICLE LIII.

The officers shall be personally accountable to the bank for all operations carried on by them beyond their powers or contrary to the statutes, by-laws, and regulations of the bank.

TITLE VII.—*General provisions.*

ARTICLE LIV.

It shall be lawful for the bank to purchase, hold, and convey real estate as follows:

1. Such as shall be necessary for its immediate accommodation in the transaction of its business.

2. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.

3. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings, under the limitations hereinbefore imposed.

4. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the bank, or shall purchase to secure debts due to it.

The bank shall not purchase or hold real estate in any other case or for any other purpose than as specified in this article, nor shall it hold for a longer period than five years the possession of any real estate under mortgage or the title and possession of any real estate purchased to secure any debts due to it.

ARTICLE LV.

The profits or net earnings resulting from the operations of the bank, after deducting the expenses of administration and such portion as corresponds to the legal reserve fund, shall be applied as follows: Ten per centum to the executive officers of the bank, to be divided according to regulations prescribed by the General Board of Directors; five per centum to the members of the General Board of Directors, to be distributed in the manner provided in the by-laws. The remaining eighty-five per centum shall belong to the stockholders, but may be added to the regular or special reserve funds or distributed as dividends at a fixed pro rata amount according to the number of shares.

ARTICLE LVI.

The distribution of dividends shall be made at least once in each six months when in the judgment of the General Board of Directors earnings justify the declaration of a dividend. Should the profits not exceed six per centum per annum on the par value of each share, the entire amount shall be distributed; should there be an excess over said six per centum it shall be divided, two-thirds to the stockholders and one-third to the legal-reserve fund mentioned in Article XIX until said reserve fund shall amount to not less than twenty-five per centum of the capital stock, after which any surplus shall be divided amongst the stockholders in whole or in part, or may be used for the creation of the voluntary reserve fund also mentioned in said article as the General Board of Directors may deem best.

ARTICLE LVII.

Dividends declared and not called for within three years following the date upon which they are due and payable shall draw the interest specified for voluntary deposits in money, commencing from the expiration of said period.

ARTICLE LVIII.

No information shall be furnished by the bank concerning the funds in its custody in a current account, or on deposit, belonging to a given person, corporation, or other legal entity, except under authority of an order of the governor-general or of a court with jurisdiction.

ARTICLE LIX.

That the treasurer of the Philippine Islands, provincial and municipal treasurers, and other authorized public officials shall, from time to time, deposit with the bank and its branches, upon such terms as may be prescribed by the government of the Philippine Islands, such public moneys and trust funds as may be available for this purpose, without discrimination against the bank or in favor of other institutions; but this clause shall not bind such officials to make or maintain such deposits when, in their opinion, it is inadvisable.

ARTICLE LX.

The balance sheet provided for in article 157 of the Code of Commerce shall be drawn up and published monthly, and the bank and its branches shall make to the treasurer of the Philippine Islands not less than five reports during each and every year, according to the form which may be prescribed by him, verified by the oath or affirmation of the president or cashier of the bank and attested by the signature of at least three of the directors; which report shall exhibit, in detail and under appropriate heads, the resources and liabilities of the bank at the close of business on any past day specified by said treasurer, and shall transmit such report to him within five days after the receipt of a request or requisition therefor from him; and the report above required, in the same form in which it is made to the treasurer, shall be published, at the expense of the bank, in a newspaper in the city of Manila; and the treasurer of the Philippine Islands shall have power to call for special reports of the condition of the bank and its branches whenever, in his judgment, the same shall be necessary in order to a full and complete knowledge of its condition. Failure to make and transmit such a report shall render the bank liable to a penalty of 100 pesos for each day after five days that said bank or any of its branches shall delay to make and transmit any report as aforesaid; these reports shall be in lieu of the quarterly reports prescribed by section one of Act No. 52 of the Philippine Commission of November 23, 1900, which quarterly reports shall no longer be required from the bank.

ARTICLE LXI.

That the government of the Philippine Islands renounces all rights which it may have derived under Spanish law to appoint the governor and other officers of the bank or to interfere in any way with its administration, except to make examination of its solvency and supervise its conduct in the interest of the public in the same manner as such examination and supervision are or may be exercised over national banks in the United States and as prescribed by the laws of the Philippine Islands.

ARTICLE LXII.

That the government of the Philippine Islands renounces all right and title derived from Spanish law and existing statutes of the bank to a loan of any money to the treasury of the Philippine Islands.

TITLE VIII.—*Dissolution and winding up of the bank.*

ARTICLE LXIII.

The bank shall be dissolved, (1) upon the expiration of its legal term unless legally extended in accordance with the provisions of this act, (2) upon the loss of one-half of the capital subscribed, in which case the general board of directors shall immediately call, within as short a period as possible, an extraordinary general assembly of the stockholders to report the condition of the bank.

The general board of directors may direct that the bank shall continue, in which case it may determine the necessary steps to be taken to fix the status of the bank, provided those present and voting represent two-thirds of the capital.

ARTICLE LXIV.

A dissolution having been decided upon, the winding up of the bank's affairs shall be in charge of the general board of directors then in office, unless said general board shall determine to appoint receivers, in which case said receivers shall receive such compensation as said general board may direct.

ARTICLE LXV.

While the winding up of the affairs of the bank continues the powers of the general board shall remain intact.

The board shall specially have the power to approve the accounts of the receivership and to give a discharge.

The amount realized, after paying the debts and expenses of the bank, shall be distributed pro rata among the stockholders.

ARTICLE LXVI.

That nothing in this act shall be held to prevent the exercise by the governor-general and the treasurer of the Philippine Islands of the powers conferred upon them by Act Number 556 of the Acts of the Philippine Commission, enacted December 9, 1902, or such amendments of that act as may hereafter be enacted.

ARTICLE LXVII.

(Customary enacting clause, to take effect at once.)

I approve.

WM. H. TAFT,
Secretary of War.

JULY 1, 1907.

Approved:

JEREMIAH J. HARTY,
Archbishop of Manila.

(Through his agent, FESTUS J. WADE.)

ST. LOUIS, MO., *July 10, 1907.*

[PUBLIC RESOLUTION—No. 32.]

JOINT RESOLUTION To authorize and empower the Banco Español de Puerto Rico (Spanish Bank of Porto Rico) to amend its by-laws.

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That the Banco Español de Puerto Rico (Spanish Bank of Porto Rico) be, and the said institution is hereby, authorized and empowered to amend article one of its by-laws, which said by-laws are referred to in, and published with, the royal (Spanish) decree dated May fifth, anno Domini eighteen hundred and eighty-eight, granting a concession to said bank, so as to change its name to that of Bank of Porto Rico (Banco de Puerto Rico) and to substitute for its capital in pesos the equivalent in money of the United States at the ratio established by law, and to amend article thirty-one of said by-laws, so that to be a councilor of said bank it may not be necessary to be a Spaniard, and further to modify and amend said by-laws, but always in accordance with existing law, and subject to the approval of the governor of Porto Rico: *Provided*, That nothing herein contained shall be held to enlarge or to permit the enlargement, in any manner or to any extent, of any of the rights, powers, or privileges granted to said Banco Español de Puerto Rico (Spanish Bank of Porto Rico) by the Government of Spain: *And provided further*, That nothing herein contained shall be held in any wise to limit or curtail any power which the Government or the Congress of the United States possesses in respect of said bank, its powers, privileges, or franchises.

Approved, June 6, 1900.

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